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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re: VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al*., Debtors and Debtors In Possession.	DISTRICT COURT CASE NUMBER: 2:18-cv-10675-RGK BANKRUPTCY COURT CASE NUMBER: 2:18−bk−20151−ER
OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF VERITY HEALTH SYSTEMS OF CALIFORNIA, INC., *et al*. APPELLANT(S) v. VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.* APPELLEE(S).	ADVERSARY CASE NUMBER: N/A **APPENDIX IN SUPPORT OF APPELLANT OFFICIAL COMMITTEE OF UNSECURED CREDITORS' APPELLANT'S BRIEF**

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The Official Committee of Unsecured Creditors of Verity Health System of California, Inc., *et al*. appointed in the chapter 11 cases of the above-captioned debtors and debtors-in-possession and the Appellant with respect to this appeal, hereby files this Appendix in support of its Appellant's Brief, which is being filed concurrently herewith.

DATE FILED	**TABS**	**DOCUMENT DESCRIPTION**
8/31/2018-3/14/2019	**1**[ECF NO. 1- ECF NO. 1811]	Docket Entries (Bankruptcy Court Case No. 2:18-bk-20151-ER)
8/31/2018	**2** [ECF No. 31]	Emergency Motion of Debtors for Interim and Final Orders (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; Memorandum of Points and Authorities in Support Thereof; Declaration of Anita Chou in Support Thereof (Filed by Debtor Verity Health System of California, Inc.)
8/31/2018	**3** [ECF No. 32]	Declaration Of Anita Chou, Chief Financial Officer, In Support Of Motion For Interim Order Authorizing (A) Use Of Cash Collateral (B) Debtor In Possession Credit Agreement (C) Grant Of Superpriority Priming Liens To Dip Lender and; (D) Grant Of Junior Liens On Post Petition Accounts And Inventory As Adequate Protection To Prepetition Secured Parties Pursuant To 11 U.S.C. §§105(A), 363(C)(2), And 364(C) And (D (Filed by Debtor Verity Health System of California, Inc.)

8/31/2018	**4** [ECF NO. 8]	Declaration of Richard G. Adcock In Support of First-Day Motions (Filed by Debtor Verity Health System of California, Inc.)
8/31/2018	**5**[ECF No. 33]	Statement Regarding Cash Collateral Or Debtor In Possession Financing [FRBP 4001; LBR 4001-2] (Filed by Debtor Verity Health System of California, Inc.)
9/4/2018	**6** [ECF No. 67]	Combined Reservation of Rights of U.S. Bank National Association, as Series 2015 Note Trustee and as Series 2017 Note Trustee, to Emergency Motion Of Debtors For Interim And Final Orders (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 (Filed by Creditor U.S. Bank National Association, not Individually, but as Indenture Trustee)
9/5/2018	**7** [ECF No. 71]	Notice of Filing Revised [Proposed] Interim 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; and Blackline Reflecting the Debtors Proposed Changes to Order (Filed by Debtor Verity Health System of California, Inc.)
9/5/2018	**8** [ECF No. 80]	Declaration of Patrick Coffey, Managing Director, In Support of Debtors' Motion for Interim Order (I) Authorizing Post Petition 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 (Filed by Debtor Verity Health System of California, Inc.)
9/6/2018	**9** [ECF No. 86]	Interim 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
9/7/2018	**10** [ECF No. 124]	Final Ruling on Interim DIP Order (as reflected in annotated agenda filed with following Docket entry" "Hearing Held on September 5, 2018 re: Emergency Motion of Debtors for Interim and Final Orders (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; Memorandum of Points and Authorities in Support Thereof; Declaration of Anita Chou In Support Thereof"
9/17/2018	**11** [ECF No. 201]	Notice Of Final Hearing On Debtors' Emergency Motion Of Debtors For Interim And Final Orders (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 110 (Filed by Debtor Verity Health System of California, Inc.)
9/19/2018	**12** [ECF No. 213]	SEIU-UHW's Objection to Emergency Motion for Order: (I) Authorizing the Debtors to (A) Pay Prepetition Employee Wages and Salaries, and (B) Pay and Honor Employee Benefits and Other Workforce Obligations [Doc. 22] and Objection to Emergency Motion for Orders (A) Authorizing Debtors to Obtain Post Petition Financing (B)

		Authorizing Debtors to Use Cash Collateral [Doc. 31] (Filed by Creditor SEIU United Healthcare Workers - West)
9/19/2018	**13** [ECF No. 218]	Objection of Retirement Plan for Hospital Employees to Motion of Debtors for Final Orders (A) Authorizing the Debtors to Obtain Post Petition Financing etc. (Filed by Creditor Retirement Plan for Hospital Employees)
9/19/2018	**14** [ECF No. 219]	Renewed Reservation of Rights of U.S. Bank National Association, as Series 2015 Note Trustee and Series 2017 Note Trustee, to Emergency Motion of Debtors for Interim and Final Orders (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 (Filed by Creditor U.S. Bank National Association, not Individually, but as Indenture Trustee)
9/19/2018	**15** [ECF No. 220]	Attorney General's Limited Objection to Debtors' Emergency Motions for Interim and Final Orders (A) Authorizing the Debtors to Obtain Post Petition Financing, (B) Authorizing Debtors to Use Cash Collateral, (C) Granting Adequate Protection to Prepetition Secured Creditors Pursuant to 11 USC §§ 105, 363, 364, 1107, and 1110; Memorandum of Points and Authorities in Support Thereof (Filed by Attorney Alicia Berry)
9/19/2018	**16** [ECF No. 273]	Transcript Regarding Hearing Held September 5, 2018 re: Verity Health System of California, Inc.
9/24/2018	**17** [ECF No. 279]	McKesson Corporation's Opposition to Emergency Motion of Debtors for Interim and Final Orders (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; Declaration of Bryan Thompson in Support Thereof (Filed by Creditor McKesson Corporation)
9/25/2018	**18** [ECF No. 292]	Objection to 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, 1107and 1108 (Filed by Creditor UMB Bank, N.A., as Master Indenture Trustee and Wells Fargo Bank, National Association, as Indenture Trustee)
9/25/2018	**19** [ECF No. 297]	Limited Objection of UNAC to Debtors' Motion for Entry of Final Orders (A) Authorizing the Debtors to Obtain Post-Petition Financing, etc. (Filed by Creditor United Nurses Associations of CA/Union of Health Care Professionals.)
9/26/2018	**20** [ECF No. 308]	Notice of Resolution of Disputes and Withdrawal of McKesson Corporation's Opposition to Emergency Motion of Debtors for Interim and Final Orders (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 (Filed by Creditor McKesson Corporation.)
9/26/2018	**21** [ECF No. 309]	Omnibus Reply of Debtors' to the Objections to the Debtors' Motion 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 (Filed by Debtor Verity Health System of California, Inc.)
9/27/2018	**23** [ECF No. 316]	Official Committee of Unsecured Creditors' Limited Objection to Debtor's Motion for Authority to Obtain Postpetition Financing and Related Relief (Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.)
9/27/2018	**23** [ECF No. 319]	Notice of Errata to Omnibus Reply of Debtors' to the Objections to the Debtors' Motion 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. Sections 105, 363, 364, 1107 and 1108 (Filed by Debtor Verity Health System of California, Inc.)
9/28/2018	**24** [ECF No. 333]	Statement Regarding Cash Collateral or Debtor In Possession Financing [FRBP 4001; LBR 4001-2] (Filed by Debtor Verity Health System of California, Inc.)
10/1/2018	**25** [ECF No. 355]	Omnibus Supplemental Reply of Debtors' to the Objections to the Debtors' Motion 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 (Filed by Debtor Verity Health System of California, Inc.)
10/1/2018	**26** [ECF No. 367]	Combined Limited Response of U.S. Bank National Association, as Series 2015 Note Trustee and Series 2017 Note Trustee, to Master Trustee

		and Series 2005 Trustee's Objection to 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 (Filed by Creditor U.S. Bank National Association, not Individually, but as Indenture Trustee)
10/1/2018	**27** [ECF No. 368]	Reservation of Rights of Verity MOB Financing LLC and Verity MOB Financing II LLC with Respect to Proposed Final DIP Order (Filed by Creditors Verity MOB Financing II LLC, Verity MOB Financing LLC)
10/2/2018	**28** [ECF No. 380]	Supplemental Objection to 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 (Filed by Creditor UMB Bank, N.A., as Master Indenture Trustee and Wells Fargo Bank, National Association, as Indenture Trustee)
10/3/2018	**29** [ECF No. 392]	Final Ruling of Bankruptcy Court (as reflected in annotated agenda filed under following Docket Entry: "Hearing Held on October 3, 2018 at 10:00 AM re: Emergency Motion Of Debtors For Interim And Final Orders (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")
10/3/2018	**30** [ECF No. 398]	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 (Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee)
10/4/2018	**31** [ECF No. 401]	Response of U.S. Bank National Association, as Series 2015 Note Trustee and Series 2017 Note Trustee, to 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 (Filed by Creditor U.S. Bank National Association, not Individually, but as Indenture Trustee)
10/4/2018	**32** [ECF No. 402]	Response of Verity MOB Financing LLC and Verity MOB Financing II LLC with Respect to Objection to Debtors' Proposed Form of Order on Motion of Debtors for Final Orders (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 (Filed by Creditors Verity MOB Financing II LLC, Verity MOB Financing LLC)
10/4/2018	**33** [ECF No. 406]	Notice of Filing of Exhibit Designated at Hearing on Motion of Debtors for Interim and Final Orders (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 (Filed by Debtor Verity Health System of California, Inc.)
10/4/2018	**34** [ECF No. 409]	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
10/8/2018	**35** [ECF No. 428]	Transcript Regarding Hearing Held October 3, 2018 re: Emergency Motion of Debtors for Interim and Final Orders
10/22/2018	**36** [ECF No. 614]	Memorandum of Decision (1) Overruling Objections to the (A) Prepetition Wages Motion and (B) Financing Motion and (2) Denying Motion for Reconsideration of the Final Financing Order
10/22/2018	**37** [ECF No. 615]	Order Denying Motion for Reconsideration of the Final Financing Order

DATED: March 14, 2019

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/s/ Gregory A. Bray
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DEFER, PlnDue, DsclsDue, JNTADMN, LEAD, APLDIST, APPEAL

U.S. Bankruptcy Court
Central District of California (Los Angeles)
Bankruptcy Petition #: 2:18-bk-20151-ER

Assigned to: Ernest M. Robles
Chapter 11
Voluntary
Asset

Date filed: 08/31/2018
341 meeting: 10/22/2018
Deadline for filing claims: 04/01/2019
Deadline for filing claims (govt.): 04/01/2019

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SELF- TERMINATED: 02/04/2019

Docket Date	#	Docket Text
08/31/2018	1 (2810 pgs; 4 docs)	Chapter 11 Voluntary Petition Non-Individual. Fee Amount $1717 Filed by Verity Health System of California, Inc. Statement About Your Social Security Numbers (Form 121) due by 09/14/2018. Signature of Attorney on Petition (Form 101 or 201) due 09/14/2018. Schedule J-2: Expenses for Separate Household of Debtor 2 (Form 106J-2) due 09/14/2018. Cert. of Credit Counseling due by 09/14/2018. Petition Preparer Notice, Declaration, and Signature - Form 119 due by 09/14/2018. Disclosure of Compensation of Bankruptcy Petition Preparer (Form 2800) due 09/14/2018. Disclosure of Compensation of Attorney for Debtor (Form 2030) due 09/14/2018. Declaration by Debtors as to Whether Income was Received from an Employer within 60-Days of the Petition Date (LBR Form F1002-1) due by 09/14/2018. Incomplete Filings due by 09/14/2018.Appointment of health

		care ombudsman due by 10/1/2018 (Attachments: # 1 Master Mailing Matrix) (Maizel, Samuel) WARNING: See entry 16 for corrective action. Case deficient for: Summary of Assets and Liabilities (Form 106Sum or 206Sum) due 9/14/2018. Schedule A/B: Property (Form 106A/B or 206A/B) due 9/14/2018. Schedule D: Creditors Who Have Claims Secured by Property (Form 106D or 206D) due 9/14/2018. Schedule E/F: Creditors Who Have Unsecured Claims (Form 106E/F or 206E/F) due 9/14/2018. Schedule G: Executory Contracts and Unexpired Leases (Form 106G or 206G) due 9/14/2018. Schedule H: Your Codebtors (Form 106H or 206H) due 9/14/2018. Statement of Financial Affairs (Form 107 or 207) due 9/14/2018. List of Equity Security Holders due 9/14/2018. The following items are not required on a Chapter 11 Non-Individual case: BPP Ntc. Dcl. Sign. (Form 119) ; Cert. Credit Counseling ; Dcl Db Emp Income(LBR F1002-1); Discl Comp of BPP (Form 2800); Schedule J-2 (Form 106J-2) ; Sign. of Atty(Form 101 or 201) ; Stat About Your SSN (Form 121) ; Modified on 8/31/2018 (Lomeli, Lydia R.). (Entered: 08/31/2018)
08/31/2018		Receipt of Voluntary Petition (Chapter 11)(2:18-bk-20151) [misc,volp11] (1717.00) Filing Fee. Receipt number 47627407. Fee amount 1717.00. (re: Doc# 1) (U.S. Treasury) (Entered: 08/31/2018)
08/31/2018	2 (152 pgs; 7 docs)	Adversary case 2:18-ap-01277. Complaint by Verity Health System of California, Inc. against Old Republic Insurance Company, City National Bank. (Charge To Estate). *Verified Complaint for Injunction Enjoining Defendant From Making Certain Draws on A Letter of Credit* (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E # 6 Exhibit F) Nature of Suit: (71 (Injunctive relief - reinstatement of stay)),(72 (Injunctive relief - other)) (Moyron, Tania) (Entered: 08/31/2018)
08/31/2018	3 (1 pg)	Motion for Joint Administration *Debtors Ex Parte Emergency Motion For Entry Of An Order For Joint Administration Of Cases; Memorandum Of Points And Authorities; Declaration Of Richard G. Adcock* WARNING: Motion incomplete. Attorney to re-file complete motion. Filed by Debtor Verity Health System of California, Inc. (Moe, John) Modified on 8/31/2018 (Lomeli, Lydia R.). CORRECTION: See entry 5 for complete motion. Modified on 8/31/2018 (Lomeli, Lydia R.). (Entered: 08/31/2018)
08/31/2018	4	Notice to Filer of Error and/or Deficient Document **Other -** WARNING: Attorney to re-file complete motion. (RE: related document(s)3 Motion for Joint Administration filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 08/31/2018)
08/31/2018	5 (35 pgs)	Motion to Amend (related document(s)3 Motion for Joint Administration *Debtors Ex Parte Emergency Motion For Entry Of An Order For Joint Administration Of Cases; Memorandum Of Points And Authorities; Declaration Of Richard G. Adcock*) *Amended to Include All Pages* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 08/31/2018)
08/31/2018	6 (2 pgs)	Notice of Appearance and Request for Notice *and Inclusion on Mailing List* by Emily P Rich Filed by Creditor Stationary Engineers Local 39. (Rich, Emily) WARNING: See entry 653 for corrective action. Modified on 10/24/2018 (Lomeli, Lydia R.). (Entered: 08/31/2018)
08/31/2018	7 (2 pgs)	Notice of Appearance and Request for Notice *and Inclusion on Mailing List* by Emily P Rich Filed by Creditor SEIU United Healthcare Workers - West. (Rich, Emily) WARNING: See entry 653 for corrective action. Modified on 10/24/2018 (Lomeli, Lydia R.). (Entered: 08/31/2018)
08/31/2018	8	Declaration re: *Declaration of Richard G. Adcock In Support of Emergency*

	(55 pgs)	*First-Day Motions* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 08/31/2018)
08/31/2018	9 (2 pgs)	Notice of Appearance and Request for Notice *and Inclusion on Mailing List* by Emily P Rich Filed by Creditors Stationary Engineers Local 39 Health and Welfare Trust Fund, Stationary Engineers Local 39 Pension Trust Fund. (Rich, Emily) WARNING: See entry 653 for corrective action. Modified on 10/24/2018 (Lomeli, Lydia R.). (Entered: 08/31/2018)
08/31/2018	10 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Meltzer, Hutchison. (Meltzer, Hutchison) (Entered: 08/31/2018)
08/31/2018	11 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Rose, Mary. (Rose, Mary) (Entered: 08/31/2018)
08/31/2018	12 (2 pgs)	Errata *Notice Of Errata To Declarations Of Richard G. Adcock [Docket Nos. 3 And 8]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)3 Motion for Joint Administration *Debtors Ex Parte Emergency Motion For Entry Of An Order For Joint Administration Of Cases; Memorandum Of Points And Authorities; Declaration Of Richard G. Adcock*, 8 Declaration). (Moyron, Tania) (Entered: 08/31/2018)
08/31/2018	13 (5 pgs)	Notice of Appearance and Request for Notice by Jason D Strabo Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee. (Strabo, Jason) WARNING: See entry 653 for corrective action. Modified on 10/24/2018 (Lomeli, Lydia R.). (Entered: 08/31/2018)
08/31/2018		Set Case Commencement Deficiency Deadlines (def/deforco) (RE: related document(s)1 Voluntary Petition (Chapter 11) filed by Debtor Verity Health System of California, Inc.) Summary of Assets and Liabilities (Form 106Sum or 206Sum) due 9/14/2018. Schedule A/B: Property (Form 106A/B or 206A/B) due 9/14/2018. Schedule D: Creditors Who Have Claims Secured by Property (Form 106D or 206D) due 9/14/2018. Schedule E/F: Creditors Who Have Unsecured Claims (Form 106E/F or 206E/F) due 9/14/2018. Schedule G: Executory Contracts and Unexpired Leases (Form 106G or 206G) due 9/14/2018. Statement of Financial Affairs (Form 107 or 207) due 9/14/2018. (Lomeli, Lydia R.) (Entered: 08/31/2018)
08/31/2018		Set Case Commencement Deficiency Deadlines (def/deforco) (RE: related document(s)1 Voluntary Petition (Chapter 11) filed by Debtor Verity Health System of California, Inc.) Schedule H: Your Codebtors (Form 106H or 206H) due 9/14/2018. (Lomeli, Lydia R.) (Entered: 08/31/2018)
08/31/2018	14 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Neubauer, Mark. (Neubauer, Mark) (Entered: 08/31/2018)
08/31/2018	15 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by O'Brient, Abigail. (O'Brient, Abigail) (Entered: 08/31/2018)
08/31/2018	16 (1 pg)	Notice of Case Deficiency Under 11 U.S.C. Sec. 521(a)(1) and Bankruptcy Rule 1007 (BNC) (RE: related document(s)1 Voluntary Petition (Chapter 11) filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 08/31/2018)
08/31/2018	17 (4 pgs)	Order Granting Motion To Approve Joint Administration Of Cases[LBR 1015-1, 9013-1(q)]. LEAD CASE: Verity Health System of California, Inc., Case No. 2:18-bk-20151-ER. An order has been entered in this case directing the procedural consolidation and joint administration of the Chapter 11 cases of Saint Louise Regional Hospital (Case No. 2:18-bk-20162-ER), Verity Holdings, LLC (Case No. 2:18-bk-20163-ER), St. Vincent Medical Center

		(Case No. 2:18-bk-20164-ER), St. Francis Medical Center (Case No. 2:18-bk-20165-ER), Seton Medical Center (Case No. 2:18-bk-20167-ER), OConnor Hospital (Case No. 2:18-bk-20168-ER), Verity Medical Foundation (Case No. 2:18-bk-20169-ER), St. Vincent Dialysis Center, Inc. (Case No. 2:18-bk-20171-ER), Saint Louise Regional Hospital Foundation (Case No. 2:18-bk-20172-ER), Verity Business Services (Case No. 2:18-bk-20173-ER), Seton Medical Center Foundation (Case No. 2:18-bk-20175-ER), DePaul Ventures, LLC (Case No. 2:18-bk-20176- ER), St. Francis Medical Center of Lynwood Medical Foundation (Case No. 2:18-bk-20178-ER), OConnor Hospital Foundation (Case No. 2:18-bk-20179-ER), St. Vincent Foundation (Case No. 2:18-bk-20180-ER), and DePaul Ventures-San Jose Dialysis, LLC (Case No. 2:18-bk-20181-ER). The docket in Case No. 2:18-bk-20151-ER should be consulted for all matters affecting these cases. (BNC-PDF) Signed on 8/31/2018. (Lomeli, Lydia R.) (Entered: 08/31/2018)
08/31/2018	18 (2 pgs)	Order Granting Motion Regarding Chapter 11 First Day Motions. September 5, 2018, at 10:00 a.m., (BNC-PDF) (Related Doc # doc) Signed on 8/31/2018 (Lomeli, Lydia R.) (Entered: 08/31/2018)
08/31/2018	19	Hearing Set re 18 Motion Regarding Chapter 11 First Day Motions. The Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 08/31/2018)
08/31/2018		Set Case Commencement Deficiency Deadlines (def/deforco) (RE: related document(s)1 Voluntary Petition (Chapter 11) filed by Debtor Verity Health System of California, Inc.) List of Equity Security Holders due 9/14/2018. (Lomeli, Lydia R.) (Entered: 08/31/2018)
08/31/2018	20 (17 pgs)	Emergency motion *Debtors Emergency Motion (A) Approving The Debtors Filing A Consolidated List Of Fifty Largest General Unsecured Creditors For All Cases; (B) Approving The Debtors Filing A Consolidated Master Mailing Matrix For All Cases; And (C) Permitting The Debtors Claims And Noticing Agent To Maintain The Master Mailing Matrix; Memorandum Of Points And Authorities* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 08/31/2018)
08/31/2018	21 (16 pgs)	Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing The Filing Under Seal Of Confidential Patient Information; Memorandum Of Points And Authorities; Declaration Of John A. Moe, II* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 08/31/2018)
08/31/2018	22 (37 pgs)	Emergency motion *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directing The Applicable Bank To Pay All Checks And Electronic Payment Requests Made By The Debtors Relating To The Foregoing; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 08/31/2018)
08/31/2018	23 (38 pgs; 2 docs)	Emergency motion *of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority for PostPetition Intercompany Claims; and (5) Obtain Related Relief; Memorandum of Points and Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A) (Moyron, Tania) (Entered: 08/31/2018)

08/31/2018	24 (30 pgs)	Emergency motion *Emergency Motion For Entry Of An Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance Companies From Enforcing Ipso Facto Clauses Or Giving Any Notice Of Termination Or Otherwise Modifying Any Insurance Policy Without Obtaining Relief From The Automatic Stay; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 08/31/2018)
08/31/2018	25 (17 pgs)	Emergency motion *Emergency Motion Of Debtors For Entry Of An Order Limiting Scope Of Notice; Memorandum Of Points And Authorities* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 08/31/2018)
08/31/2018	26 (8 pgs; 2 docs)	Notice of Hearing *Notice of Hearings on Emergency First-Day Motions Filed by Debtors* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)20 Emergency motion *Debtors Emergency Motion (A) Approving The Debtors Filing A Consolidated List Of Fifty Largest General Unsecured Creditors For All Cases; (B) Approving The Debtors Filing A Consolidated Master Mailing Matrix For All Cases; And (C) Permitting The Debtors Claims And Noticing Agent To Maintain The Master Mailing Matrix; Memorandum Of Points And Authorities* Filed by Debtor Verity Health System of California, Inc., 21 Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing The Filing Under Seal Of Confidential Patient Information; Memorandum Of Points And Authorities; Declaration Of John A. Moe, II* Filed by Debtor Verity Health System of California, Inc., 22 Emergency motion *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directing The Applicable Bank To Pay All Checks And Electronic Payment Requests Made By The Debtors Relating To The Foregoing; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc., 23 Emergency motion *of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority for PostPetition Intercompany Claims; and (5) Obtain Related Relief; Memorandum of Points and Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 24 Emergency motion *Emergency Motion For Entry Of An Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance Companies From Enforcing Ipso Facto Clauses Or Giving Any Notice Of Termination Or Otherwise Modifying Any Insurance Policy Without Obtaining Relief From The Automatic Stay; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc., 25 Emergency motion *Emergency Motion Of Debtors For Entry Of An Order Limiting Scope Of Notice; Memorandum Of Points And Authorities* Filed by Debtor Verity Health System of California, Inc.). (Attachments: # 1 Exhibit 1) (Moyron, Tania) (Entered: 08/31/2018)
08/31/2018	27 (53 pgs)	Emergency motion *Debtors Emergency Application For An Order (A) Appointing Kurtzman Carson Consultants LLC As Claims And Noticing Agent And (B) Approving The Form And Manner Of Notice Of Case Commencement; Memorandum Of Points And Authorities; Declaration Of Evan Gerschbein; Mega Case Procedures Checklist (Form 5075); Proposed Notice Of Case Commencement* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 08/31/2018)

08/31/2018	28 (45 pgs)	Emergency motion *Debtors Emergency Motion For Order (A) Prohibiting Utilities From Altering, Refusing, Or Discontinuing Service And (B) Determining Adequate Assurance Of Payment For Future Utility Services; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 08/31/2018)
08/31/2018	29 (56 pgs)	Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 08/31/2018)
08/31/2018	30 (4 pgs)	Notice of Hearing *Amended Notice Of Hearings On Emergency First-Day Motions Filed By Debtors* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)20 Emergency motion *Debtors Emergency Motion (A) Approving The Debtors Filing A Consolidated List Of Fifty Largest General Unsecured Creditors For All Cases; (B) Approving The Debtors Filing A Consolidated Master Mailing Matrix For All Cases; And (C) Permitting The Debtors Claims And Noticing Agent To Maintain The Master Mailing Matrix; Memorandum Of Points And Authorities* Filed by Debtor Verity Health System of California, Inc., 21 Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing The Filing Under Seal Of Confidential Patient Information; Memorandum Of Points And Authorities; Declaration Of John A. Moe, II* Filed by Debtor Verity Health System of California, Inc., 22 Emergency motion *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directing The Applicable Bank To Pay All Checks And Electronic Payment Requests Made By The Debtors Relating To The Foregoing; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc., 23 Emergency motion *of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority for PostPetition Intercompany Claims; and (5) Obtain Related Relief; Memorandum of Points and Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 24 Emergency motion *Emergency Motion For Entry Of An Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance Companies From Enforcing Ipso Facto Clauses Or Giving Any Notice Of Termination Or Otherwise Modifying Any Insurance Policy Without Obtaining Relief From The Automatic Stay; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc., 25 Emergency motion *Emergency Motion Of Debtors For Entry Of An Order Limiting Scope Of Notice; Memorandum Of Points And Authorities* Filed by Debtor Verity Health System of California, Inc., 27 Emergency motion *Debtors Emergency Application For An Order (A) Appointing Kurtzman Carson Consultants LLC As Claims And Noticing Agent And (B) Approving The Form And Manner Of Notice Of Case Commencement; Memorandum Of Points And Authorities; Declaration Of Evan Gerschbein; Mega Case Procedures Checklist (Form 5075); Proposed Notice Of Case Commencement* Filed by Debtor Verity Health System of California, Inc., 28 Emergency motion *Debtors Emergency Motion For Order (A) Prohibiting Utilities From Altering, Refusing, Or Discontinuing Service And (B) Determining Adequate Assurance Of Payment For Future Utility Services; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc., 29 Emergency motion

		Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors; Memorandum Of Points And Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc.). (Maizel, Samuel) (Entered: 08/31/2018)
08/31/2018	31 (85 pgs; 2 docs)	Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Anita Chou In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A) (Maizel, Samuel) (Entered: 08/31/2018)
08/31/2018	32 (149 pgs; 5 docs)	Declaration re: *Declaration Of Anita Chou, Chief Financial Officer, In Support Of Motion For Interim Order Authorizing (A) Use Of Cash Collateral (B) Debtor In Possession Credit Agreement (C) Grant Of Superpriority Priming Liens To Dip Lender (D) Grant Of Junior Liens On Post Petition Accounts And Inventory As Adequate Protection To Prepetition Secured Parties Pursuant To 11 U.S.C. §§105(A), 363(C)(2), And 364(C) And (D* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre). (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 Part 1 # 4 Exhibit 3 Part 2) (Maizel, Samuel) (Entered: 08/31/2018)*
08/31/2018	33 (3 pgs)	Notice *Statement Regarding Cash Collateral Or Debtor In Possession Financing [FRBP 4001; LBR 4001-2]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Anita Chou In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Maizel, Samuel) (Entered: 08/31/2018)
08/31/2018	34 (6 pgs; 2 docs)	Notice of Hearing *Amended Notice Of Hearings On Emergency First-Day Motions Filed By Debtors* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)20 Emergency motion *Debtors Emergency Motion (A) Approving The Debtors Filing A Consolidated List Of Fifty Largest General Unsecured Creditors For All Cases; (B) Approving The Debtors Filing A Consolidated Master Mailing Matrix For All Cases; And (C) Permitting The Debtors Claims And Noticing Agent To Maintain The Master Mailing Matrix; Memorandum Of Points And Authorities* Filed by Debtor Verity Health System of California, Inc., 21 Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing The Filing Under Seal Of Confidential Patient Information; Memorandum Of Points And Authorities; Declaration Of John A. Moe, II* Filed by Debtor Verity Health System of California, Inc., 22 Emergency motion *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directing The Applicable Bank To Pay All Checks And Electronic Payment Requests Made By The Debtors Relating To The Foregoing; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc., 23 Emergency motion *of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and*

		Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority for PostPetition Intercompany Claims; and (5) Obtain Related Relief; Memorandum of Points and Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 24 Emergency motion *Emergency Motion For Entry Of An Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance Companies From Enforcing Ipso Facto Clauses Or Giving Any Notice Of Termination Or Otherwise Modifying Any Insurance Policy Without Obtaining Relief From The Automatic Stay; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc., 25 Emergency motion *Emergency Motion Of Debtors For Entry Of An Order Limiting Scope Of Notice; Memorandum Of Points And Authorities* Filed by Debtor Verity Health System of California, Inc., 27 Emergency motion *Debtors Emergency Application For An Order (A) Appointing Kurtzman Carson Consultants LLC As Claims And Noticing Agent And (B) Approving The Form And Manner Of Notice Of Case Commencement; Memorandum Of Points And Authorities; Declaration Of Evan Gerschbein; Mega Case Procedures Checklist (Form 5075); Proposed Notice Of Case Commencement* Filed by Debtor Verity Health System of California, Inc., 28 Emergency motion *Debtors Emergency Motion For Order (A) Prohibiting Utilities From Altering, Refusing, Or Discontinuing Service And (B) Determining Adequate Assurance Of Payment For Future Utility Services; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc., 29 Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc., 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Anita Chou In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Attachments: # 1 Exhibit 1) (Maizel, Samuel) (Entered: 08/31/2018)
09/02/2018	35 (2 pgs)	BNC Certificate of Notice (RE: related document(s)1 Voluntary Petition (Chapter 11) filed by Debtor Verity Health System of California, Inc.) No. of Notices: 1. Notice Date 09/02/2018. (Admin.) (Entered: 09/02/2018)
09/02/2018	36 (2 pgs)	BNC Certificate of Notice (RE: related document(s)1 Voluntary Petition (Chapter 11) filed by Debtor Verity Health System of California, Inc.) No. of Notices: 1. Notice Date 09/02/2018. (Admin.) (Entered: 09/02/2018)
09/02/2018	37 (2 pgs)	BNC Certificate of Notice (RE: related document(s)16 Notice of Case Deficiency (11 U.S.C. Sec. 521 & Rule 1007) (Ch 11/12) (BNC)) No. of Notices: 1. Notice Date 09/02/2018. (Admin.) (Entered: 09/02/2018)
09/02/2018	38 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)17 ORDER for joint administration (BNC-PDF)) No. of Notices: 1. Notice Date 09/02/2018. (Admin.) (Entered: 09/02/2018)
09/02/2018	39 (3 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)18 Order on Motion Re: Chapter 11 First Day Motions (BNC-PDF)) No. of Notices: 1. Notice Date 09/02/2018. (Admin.) (Entered: 09/02/2018)
09/04/2018	40	Hearing Set (RE: related document(s)20 Debtors' Emergency Motion (A)

		Approving The Debtors Filing A Consolidated List Of Fifty Largest General Unsecured Creditors For All Cases; (B) Approving The Debtors Filing A Consolidated Master Mailing Matrix For All Cases; And (C) Permitting The Debtors Claims And Noticing Agent To Maintain The Master Mailing Matrix;Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	41	Hearing Set (RE: related document(s)21 Debtors Emergency Motion For Entry Of An Order Authorizing The Filing Under Seal Of Confidential Patient Information; filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	42	Hearing Set (RE: related document(s)22 Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directing The Applicable Bank To Pay All Checks And Electronic Payment Requests Made By The Debtors Relating To The Foregoing filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	43	Hearing Set (RE: related document(s)23 Emergency motion of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority for PostPetition Intercompany Claims; and (5) Obtain Related Relief; Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	44	Hearing Set (RE: related document(s)24 Emergency Motion For Entry Of An Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance Companies From Enforcing Ipso Facto Clauses Or Giving Any Notice Of Termination Or Otherwise Modifying Any Insurance Policy Without Obtaining Relief From The Automatic Stay; filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	45	Hearing Set (RE: related document(s)25 Emergency Motion Of Debtors For Entry Of An Order Limiting Scope Of Notice; filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	46	Hearing Set (RE: related document(s)27 Debtors Emergency Application For An Order (A) Appointing Kurtzman Carson Consultants LLC As Claims And Noticing Agent And (B) Approving The Form And Manner Of Notice Of Case Commencement; filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	47	Hearing Set (RE: related document(s)28 Debtors Emergency Motion For

		Order (A) Prohibiting Utilities From Altering, Refusing, Or Discontinuing Service And (B) Determining Adequate Assurance Of Payment For Future Utility Services; filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	48	Hearing Set (RE: related document(s)29 Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors; filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	49	Hearing Set (RE: related document(s)31 Emergency Motion Of Debtors For Interim And Final Orders (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; filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 9/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	50 (35 pgs; 6 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Re Emergency First-Day Motions* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)3 Motion for Joint Administration *Debtors Ex Parte Emergency Motion For Entry Of An Order For Joint Administration Of Cases; Memorandum Of Points And Authorities; Declaration Of Richard G. Adcock*, 5 Motion to Amend (related document(s)3 Motion for Joint Administration *Debtors Ex Parte Emergency Motion For Entry Of An Order For Joint Administration Of Cases; Memorandum Of Points And Authorities; Declaration Of Richard G. Adcock*) *Amended, 20 Emergency motion Debtors Emergency Motion (A) Approving The Debtors Filing A Consolidated List Of Fifty Largest General Unsecured Creditors For All Cases; (B) Approving The Debtors Filing A Consolidated Master Mailing Matrix For All Cases; And (C) Pe, 21 Emergency motion Debtors Emergency Motion For Entry Of An Order Authorizing The Filing Under Seal Of Confidential Patient Information; Memorandum Of Points And Authorities; Declaration Of John A. Moe, II, 22 Emergency motion Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directi, 23 Emergency motion of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Tra, 24 Emergency motion Emergency Motion For Entry Of An Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance C, 25 Emergency motion Emergency Motion Of Debtors For Entry Of An Order Limiting Scope Of Notice; Memorandum Of Points And Authorities, 27 Emergency motion Debtors Emergency Application For An Order (A) Appointing Kurtzman Carson Consultants LLC As Claims And Noticing Agent And (B) Approving The Form And Manner Of Notice Of Case Commencement; Memorandum Of Points And Authorities; Declar, 28 Emergency motion Debtors Emergency Motion For Order (A) Prohibiting Utilities From Altering, Refusing, Or Discontinuing Service And (B) Determining Adequate Assurance Of Payment For Future Utility Services; Memorandum Of Points And Authorities In Sup, 29 Emergency motion Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors;*

		Memorandum Of Points And Authorities In Support Thereof, 31 Emergency motion Emergency Motion Of Debtors For Interim And Final Orders (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 Cre). (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E) (Moyron, Tania) (Entered: 09/04/2018)
09/04/2018	51 (4 pgs)	Notice of Hearing *on Emergency Motion of Debtors' for Entry of an Order Limiting Scope of Notice* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)25 Emergency motion *Emergency Motion Of Debtors For Entry Of An Order Limiting Scope Of Notice; Memorandum Of Points And Authorities* Filed by Debtor Verity Health System of California, Inc. filed by Debtor Verity Health System of California, Inc.). (Moyron, Tania) (Entered: 09/04/2018)
09/04/2018	52 (5 pgs)	Motion to Appear pro hac vice *by Nathan F. Coco* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Strabo, Jason) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/04/2018)
09/04/2018	53 (5 pgs)	Motion to Appear pro hac vice *by Megan Preusker* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Strabo, Jason) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/04/2018)
09/04/2018	54 (6 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *Sam J. Alberts* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/04/2018)
09/04/2018	55 (6 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *Claude D. Montgomery* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/04/2018)
09/04/2018	56 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Torrell, Gary. (Torrell, Gary) (Entered: 09/04/2018)
09/04/2018	57 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Shirley, Rosa. (Shirley, Rosa) (Entered: 09/04/2018)
09/04/2018	58 (5 pgs)	Notice *of Appearance and Request for Special Notice and Inclusion on Mailing List* Filed by Creditor St. Vincent IPA Medical Corporation. (Neubauer, Mark) WARNING: See entry 653 for corrective action. Modified on 10/24/2018 (Lomeli, Lydia R.). (Entered: 09/04/2018)
09/04/2018	59 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Gill, Lawrence. (Gill, Lawrence) (Entered: 09/04/2018)
09/04/2018	60 (25 pgs)	Objection to debtor's emergency first day motions. (related document(s): 18 Order on Motion Re: Chapter 11 First Day Motions (BNC-PDF)) Filed by Interested Party Xavier Becerra, Attorney General of California (Lomeli, Lydia R.) (Entered: 09/04/2018)
09/04/2018	61 (5 pgs)	Request for special notice Filed by Interested Party Alicia Berry attorney for Xavier Becerra, Attorney General of California . (Lomeli, Lydia R.) (Entered: 09/04/2018)

09/04/2018	62 (5 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *of Ian A. Hammel* Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (O'Brient, Abigail) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/04/2018)
09/04/2018	63 (5 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *of Daniel S. Bleck* Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (O'Brient, Abigail) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/04/2018)
09/04/2018	64 (5 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *of Paul J. Ricotta* Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (O'Brient, Abigail) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/04/2018)
09/04/2018	65 (7 pgs)	Motion to Appear pro hac vice *by Clark Whitmore* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Strabo, Jason) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/04/2018)
09/04/2018	66 (5 pgs)	Motion to Appear pro hac vice *by Jason Reed* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Strabo, Jason) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/04/2018)
09/04/2018	67 (11 pgs)	Response to (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Combined Reservation Of Rights Of U.S. Bank National Association, As Series 2015 Note Trustee And As Series 2017 Note Trustee, To Emergency Motion Of Debtors For Interim And Final Orders (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 Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Strabo, Jason) (Entered: 09/04/2018)*
09/04/2018	68 (7 pgs)	Response to (related document(s): 23 Emergency motion *of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Tra filed by Debtor Verity Health System of California, Inc.) Combined Reservation Of Rights Of U.S. Bank National Association, As Series 2015 Note Trustee And Series 2017 Note Trustee, To Emergency Motion Of Debtors For Authority To: (1) Continue Using Existing Cash Management System, Bank Accounts And Business Forms; (2) Implement Changes To The Cash Management System In The Ordinary Course Of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority For Postpetition Intercompany Claims; And (5) Obtain Related Relief Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Strabo, Jason) (Entered: 09/04/2018)*
09/04/2018	69 (9 pgs)	Response to (related document(s): 29 Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors; Memorandum Of Points And Authorities In*

		Support Thereof filed by Debtor Verity Health System of California, Inc.) *Combined Reservation Of Rights Of U.S. Bank National Association, As Series 2015 Note Trustee And Series 2017 Note Trustee, To Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Strabo, Jason) (Entered: 09/04/2018)
09/04/2018	70 (5 pgs)	Supplemental *Supplement To Emergency Motion Of Debtors For Authority To: (1) Continue Using Existing Cash Management System, Bank Accounts And Business Forms; (2) Implement Changes To The Cash Management System In The Ordinary Course Of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority For Postpetition Intercompany Claims; And (5) Obtain Related Relief [Docket No. 23]* Filed by Debtor Verity Health System of California, Inc.. (Moe, John) (Entered: 09/04/2018)
09/05/2018	71 (78 pgs; 3 docs)	Notice *of Filing Revised Proposed Interim 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; and Blackline Reflecting the Debtors Proposed Changes to Order* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Anita Chou In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Attachments: # 1 Exhibit A - Revised Proposed Order # 2 Exhibit B - Blackline Version of Proposed Order) (Moyron, Tania) (Entered: 09/05/2018)
09/05/2018	72 (7 pgs; 2 docs)	Errata *Notice Of Errata To Emergency Motion For Entry Of An Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance Companies From Enforcing Ipso Facto Clauses Or Giving Any Notice Of Termination Or Otherwise Modifying Any Insurance Policy Without Obtaining Relief From The Automatic Stay [Docket No. 24]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)24 Emergency motion *Emergency Motion For Entry Of An Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance C). (Attachments: # 1 Exhibit A) (Maizel, Samuel) (Entered: 09/05/2018)*
09/05/2018	73 (5 pgs)	Notice *of Appearance and Request for Service of Papers* Filed by Creditor Premier, Inc.. (Mortimer, Marianne) (Entered: 09/05/2018)
09/05/2018	74 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Wallach, Jason. (Wallach, Jason) (Entered: 09/05/2018)
09/05/2018	75 (6 pgs)	Order Granting Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (Ii) Authorizing And Directing The Applicable Bank To Pay All Checks And Electronic Payment Requests Made By The Debtors Relating To The Foregoing . Final hearing on the Emergency Motion is continued to October 3, 2018, at 10:00 a.m., (BNC-PDF) (Related Doc # 22) Signed on 9/5/2018 (Lomeli, Lydia R.) (Entered: 09/05/2018)

09/05/2018	76 (6 pgs)	Order Granting Emergency Motion Of Debtors For Authority To: (1) Continue Using Existing Cash Management System, Bank Accounts And Business Forms; (2) Implement Changes To The Cash Management System In The Ordinary Course Of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority For Postpetition Intercompany Claims; And (5) Obtain Related Relief. Final hearing on the Emergency Motion is continued to October 3, 2018, at 10:00 a.me (BNC-PDF) (Related Doc # 23) Signed on 9/5/2018 (Lomeli, Lydia R.) (Entered: 09/05/2018)
09/05/2018	77 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Morse, Kevin. (Morse, Kevin) (Entered: 09/05/2018)
09/05/2018	78 (6 pgs)	Motion to Appear pro hac vice *of John Ryan Yant* Filed by Creditor St. Vincent IPA Medical Corporation (Neubauer, Mark) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/05/2018)
09/05/2018	79 (6 pgs)	Motion to Appear pro hac vice *of Donald R. Kirk* Filed by Creditor St. Vincent IPA Medical Corporation (Neubauer, Mark) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/05/2018)
09/05/2018	80 (2 pgs)	Declaration re: *of Patrick Coffey, Managing Director, In Support of Debtors' Motion for Interim Order (I) Authorizing Post Petition 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* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre). (Moyron, Tania) (Entered: 09/05/2018)*
09/05/2018	81 (4 pgs)	Notice of lodgment *of Order in Bankruptcy Case* Filed by Creditor St. Vincent IPA Medical Corporation (RE: related document(s)78 Motion to Appear pro hac vice *of John Ryan Yant* Filed by Creditor St. Vincent IPA Medical Corporation). (Neubauer, Mark) (Entered: 09/05/2018)
09/05/2018	82 (4 pgs)	Notice of lodgment *of Order in Bankruptcy Case* Filed by Creditor St. Vincent IPA Medical Corporation (RE: related document(s)79 Motion to Appear pro hac vice *of Donald R. Kirk* Filed by Creditor St. Vincent IPA Medical Corporation). (Neubauer, Mark) (Entered: 09/05/2018)
09/05/2018		Receipt of Photocopies Fee - $1.00 by 20. Receipt Number 20229709. (admin) (Entered: 09/05/2018)
09/06/2018	83 (2 pgs)	Order Granting Motion To Appear pro hac vice re Ian A. Hammel, attorney for UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (BNC-PDF) (Related Doc # 62) Signed on 9/6/2018 (Lomeli, Lydia R.) Modified on 9/6/2018 (Lomeli, Lydia R.). (Entered: 09/06/2018)
09/06/2018	84 (2 pgs)	Order Granting Motion To Appear pro hac vice re Daniel S. Bleck, attorney for UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (BNC-PDF) (Related Doc # 63) Signed on 9/6/2018 (Lomeli, Lydia R.) Modified on 9/6/2018 (Lomeli, Lydia R.). (Entered: 09/06/2018)

09/06/2018	85 (2 pgs)	Order Granting Motion To Appear pro hac vice re Paul J. Ricotta, attorney for UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (BNC-PDF) (Related Doc # 64) Signed on 9/6/2018 (Lomeli, Lydia R.) (Entered: 09/06/2018)
09/06/2018	86 (37 pgs)	Interim 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 . The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for October 3, 2018 at 10:00 a.m. Pacific time (BNC-PDF) (Related Doc # 31) Signed on 9/6/2018 (Lomeli, Lydia R.) (Entered: 09/06/2018)
09/06/2018	87 (6 pgs; 2 docs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *for United States Government Attorney Damarr M. Butler* Filed by Creditor Pension Benefit Guaranty Corporation (Attachments: # 1 Proposed Order) (Butler, Damarr) (Entered: 09/06/2018)
09/06/2018	88 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Aron, Simon. (Aron, Simon) (Entered: 09/06/2018)
09/06/2018	89 (4 pgs)	Order Granting Motion To Appear pro hac vice re Sam J. Alberts , attorney for Verity Health System of California, Inc (BNC-PDF) (Related Doc # 54) Signed on 9/6/2018 (Lomeli, Lydia R.) Modified on 9/6/2018 (Lomeli, Lydia R.). (Entered: 09/06/2018)
09/06/2018	90 (4 pgs)	Order Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule re Claude D. Montgomery, attorney for Verity Health Systems of California, Inc., et al., (BNC-PDF) (Related Doc # 55) Signed on 9/6/2018 (Lomeli, Lydia R.) Modified on 9/6/2018 (Lomeli, Lydia R.). (Entered: 09/06/2018)
09/06/2018	91 (2 pgs)	Order Granting Motion To Appear pro hac vice re Clark Whitmore, U.S. Bank National Association, not individually, but as Indenture Trustee (BNC-PDF) (Related Doc # 65) Signed on 9/6/2018 (Lomeli, Lydia R.) (Entered: 09/06/2018)
09/06/2018	92 (2 pgs)	Order Granting Motion To Appear pro hac vice re Jason Reed , attorney for U.S. Bank National Association, not individually but as Series 2017 Note Trustee (BNC-PDF) (Related Doc # 66) Signed on 9/6/2018 (Lomeli, Lydia R.) (Entered: 09/06/2018)
09/06/2018	93 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Moyron, Tania. (Moyron, Tania) WARNING: See entry 653 for corrective action. Modified on 10/24/2018 (Lomeli, Lydia R.). re attorney SAM J. ALBERTS. Modified on 11/19/2018 (Lomeli, Lydia R.). (Entered: 09/06/2018)
09/06/2018	94 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Moyron, Tania. (Moyron, Tania) WARNING: See entry 653 for corrective action. WARNING: See entry 653 for corrective action. Modified on 10/24/2018 (Lomeli, Lydia R.). re attorney CLAUDE D. MONTGOMERY. Modified on 11/19/2018 (Lomeli, Lydia R.). (Entered: 09/06/2018)
09/06/2018	95 (7 pgs)	Notice *of Formation Meeting for Official Committee of Unsecured Creditors* Filed by U.S. Trustee United States Trustee (LA). (Yip, Hatty) (Entered: 09/06/2018)
09/06/2018	96	Notice of Appearance and Request for Notice by Scott E Blakeley Filed by

	(2 pgs)	Creditor Universal Hospital Services, Inc.. (Blakeley, Scott) (Entered: 09/06/2018)
09/06/2018	97 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Garfinkle, Jeffrey. (Garfinkle, Jeffrey) (Entered: 09/06/2018)
09/06/2018	98 (1 pg)	Notice / Receipt paid at U.S. District Court on 9/5/18. $400.00. (RE: related document(s)92 Order Granting Motion To Appear pro hac vice re Jason Reed , attorney for U.S. Bank National Association, not individually but as Series 2017 Note Trustee (BNC-PDF) (Related Doc 66) Signed on 9/6/2018 (Lomeli, Lydia R.)). (Lomeli, Lydia R.) (Entered: 09/06/2018)
09/06/2018	99 (1 pg)	Notice / Receipt paid at U.S. District Court on 9/4/18 re Donald R Kirk. $400.00 (RE: related document(s)79 Motion to Appear pro hac vice *of Donald R. Kirk* Filed by Creditor St. Vincent IPA Medical Corporation filed by Creditor St. Vincent IPA Medical Corporation). (Lomeli, Lydia R.) R.). (Entered: 09/06/2018)
09/06/2018	100 (1 pg)	Notice / Receipt paid at U.S. District Court re John Ryan Yant, $400.00 Filed by (RE: related document(s)78 Motion to Appear pro hac vice *of John Ryan Yant* Filed by Creditor St. Vincent IPA Medical Corporation filed by Creditor St. Vincent IPA Medical Corporation). (Lomeli, Lydia R.) (Entered: 09/06/2018)
09/06/2018	101 (20 pgs; 5 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Re Notice of Hearing On Emergency Motion of Debtors' for Entry of An Order Limiting Scope of Notice and Supplement to Emergency Motion of Debtor for Authority to Continue Using Existing Cash Management System, Bank Accounts and Business Forms* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)51 Notice of Hearing). (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D) (Moyron, Tania) (Entered: 09/06/2018)
09/06/2018	102 (11 pgs; 3 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 71, 72 and 80* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)71 Notice). (Attachments: # 1 Exhibit A # 2 Exhibit B) (Moyron, Tania) (Entered: 09/06/2018)
09/07/2018	103 (13 pgs)	Proof of service Filed by U.S. Trustee United States Trustee (LA) (RE: related document(s)95 Notice). (Mar, Alvin) (Entered: 09/07/2018)
09/07/2018	104 (2 pgs)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Flahaut, M. (Flahaut, M) (Entered: 09/07/2018)
09/07/2018	105 (2 pgs)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Ordubegian, Aram. (Ordubegian, Aram) WARNING: See entry 653 for corrective action Modified on 10/25/2018 (Lomeli, Lydia R.). CORRECTION: Attorney not required to file Request to be Added or Removed from Courtesy Notification of Electronic Filing. Attorney requested removal from NEF on 10/02/2018. 508 Modified on 10/26/2018 (Lomeli, Lydia R.). (Entered: 09/07/2018)
09/07/2018	106 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Blakeley, Scott. (Blakeley, Scott) (Entered: 09/07/2018)
09/07/2018	107 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Levey, Elan. (Levey, Elan) (Entered: 09/07/2018)
09/07/2018	108 (160 pgs; 4 docs)	Motion *Memorandum of Points and Authorities in Support of Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare*

		Services Risk Sharing Agreement (with proofs of service) Filed by Creditor St. Vincent IPA Medical Corporation (Attachments: # 1 Affidavit of Jeffrey Hendel MD # 2 Exhibit A to Hendel Decl. # 3 Exhibit B to Hendel Decl.) (Neubauer, Mark) (Entered: 09/07/2018)
09/07/2018	109 (6 pgs)	Notice of motion/application *Notice of Motion and Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement (with proof of service)* Filed by Creditor St. Vincent IPA Medical Corporation (RE: related document(s)108 Motion *Memorandum of Points and Authorities in Support of Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement (with proofs of service)* Filed by Creditor St. Vincent IPA Medical Corporation (Attachments: # 1 Affidavit of Jeffrey Hendel MD # 2 Exhibit A to Hendel Decl. # 3 Exhibit B to Hendel Decl.)). (Neubauer, Mark) (Entered: 09/07/2018)
09/07/2018	110 (5 pgs)	Notice of lodgment *Notice of Lodgement of Order in Bankruptcy Case (with proof of service)* Filed by Creditor St. Vincent IPA Medical Corporation (RE: related document(s)108 Motion *Memorandum of Points and Authorities in Support of Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement (with proofs of service)* Filed by Creditor St. Vincent IPA Medical Corporation (Attachments: # 1 Affidavit of Jeffrey Hendel MD # 2 Exhibit A to Hendel Decl. # 3 Exhibit B to Hendel Decl.)). (Neubauer, Mark) (Entered: 09/07/2018)
09/07/2018	111 (147 pgs; 3 docs)	Application shortening time *(with proof of service)* Filed by Creditor St. Vincent IPA Medical Corporation (Attachments: # 1 Affidavit of Jeffrey Hendel, MD # 2 Exhibit 1 to Hendel Decl.) (Neubauer, Mark) (Entered: 09/07/2018)
09/07/2018	112 (8 pgs)	Notice of lodgment *Notice of Lodgment of Order in Bankruptcy Case (with proof of service)* Filed by Creditor St. Vincent IPA Medical Corporation (RE: related document(s)111 Application shortening time *(with proof of service)* Filed by Creditor St. Vincent IPA Medical Corporation (Attachments: # 1 Affidavit of Jeffrey Hendel, MD # 2 Exhibit 1 to Hendel Decl.)). (Neubauer, Mark) (Entered: 09/07/2018)
09/07/2018	113 (11 pgs)	Hearing Held on 9/5/18 re (RE: related document(s)20 Debtors Emergency Motion (A) Approving The Debtors Filing A Consolidated List Of Fifty Largest General Unsecured Creditors For All Cases; (B) Approving The Debtors Filing A Consolidated Master Mailing Matrix For All Cases; And (C) Permitting The Debtors Claims And Noticing Agent To Maintain The Master Mailing Matrix filed by Debtor Verity Health System of California, Inc. - GRANT (Lomeli, Lydia R.) Additional attachment(s) added on 9/7/2018 (Lomeli, Lydia R.). Mo (Entered: 09/07/2018)
09/07/2018	114 (4 pgs)	Hearing Held on 9/5/18 (RE: related document(s)21 Debtors Emergency Motion For Entry Of An Order Authorizing The Filing Under Seal Of Confidential Patient Information filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Party to lodge order: Movant. GRANT (Lomeli, Lydia R.) Additional attachment(s) added on 9/7/2018 (Lomeli, Lydia R.). (Entered: 09/07/2018)
09/07/2018	115 (17 pgs)	Request for courtesy Notice of Electronic Filing (NEF) *Creditor California Department of Health Care Services* Filed by Wang, Kenneth. (Wang, Kenneth) CORRECTION: Attached document is titled 'Emergency Motion Of Debtors For Entry Of An Order Limiting Scope Of Notice; Memorandum Of Points And Authorities' Modified on 10/24/2018 (Lomeli, Lydia R.). (Entered: 09/07/2018)

09/07/2018	116 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) *Creditor California Department of Health Care Services* Filed by Wang, Kenneth. (Wang, Kenneth) (Entered: 09/07/2018)
09/07/2018	117 (4 pgs)	Hearing Held on 9/5/18 (RE: related document(s)22 Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directing The Applicable Bank To Pay All Checks And Electronic Payment Requests Made By The Debtors Relating To The Foregoing filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Party to lodge order: Movant. GRANT the Prepetition Wages Motion on a final basis. (Amended after hearing in RED to clarify that the Court is granting only interim relief, and is not making any final ruling regarding the Debtors' obligation, if any, to make post-petition payments, in the ordinary course of business, on account of various Union Obligations(as defined in the Motion).) (Lomeli, Lydia R.) Additional attachment(s) added on 9/7/2018 (Lomeli, Lydia R.). (Entered: 09/07/2018)
09/07/2018	118 (12 pgs; 2 docs)	Hearing Held on 9/5/18 (RE: related document(s)23 Emergency motion of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority for PostPetition Intercompany Claims; and (5) Obtain Related Relief; filed by Debtor Verity Health System of California, Inc.) (see ruling attached). GRANT. A Final Hearing on the Cash Management Motion shall take place on October 3, 2018, at 10:00 a.m.(Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	119 (5 pgs; 2 docs)	Hearing Held on 9/5/18 (RE: related document(s)24 Emergency Motion For Entry Of An Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance Companies From Enforcing Ipso Facto Clauses Or Giving Any Notice Of Termination Or Otherwise Modifying Any Insurance Policy Without Obtaining Relief From The Automatic Stay filed by Debtor Verity Health System of California, Inc.) (see ruling attached). GRANT. (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	120 (12 pgs; 2 docs)	Hearing Held on 9/5/18 (RE: related document(s)25 Emergency Motion Of Debtors For Entry Of An Order Limiting Scope Of Notice filed by Debtor Verity Health System of California, Inc.) (see ruling attached). GRANT (Lomeli, Lydia R.) Additional attachment(s) added on 9/7/2018 (Lomeli, Lydia R.). (Entered: 09/07/2018)
09/07/2018	121 (12 pgs; 2 docs)	Hearing Held on 9/5/18 (RE: related document(s)27 Debtors Emergency Application For An Order (A) Appointing Kurtzman Carson Consultants LLC As Claims And Noticing Agent And (B) Approving The Form And Manner Of Notice Of Case Commencement filed by Debtor Verity Health System of California, Inc.) (see ruling attached). GRANT (Lomeli, Lydia R.) Additional attachment(s) added on 9/7/2018 (Lomeli, Lydia R.). (Entered: 09/07/2018)
09/07/2018	122 (5 pgs)	Hearing Held on 9/5/18 (RE: related document(s)28 Debtors Emergency Motion For Order (A) Prohibiting Utilities From Altering, Refusing, Or Discontinuing Service And (B) Determining Adequate Assurance Of Payment For Future Utility Services filed by Debtor Verity Health System of California, Inc.) (see ruling attached). GRANT . Party to lodge order: Movant (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	123 (7 pgs)	Hearing Held on 9/5/18 (RE: related document(s)29 Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition

		Obligations To Critical Vendors filed by Debtor Verity Health System of California, Inc.) (see ruling attached). GRANT. Final Hearing shall be held on October 3, 2018, at 10:00 a.m. Party to lodge order: Movant. (Lomeli, Lydia R.) Additional attachment(s) added on 9/7/2018 (Lomeli, Lydia R.). (Entered: 09/07/2018)
09/07/2018	124 (13 pgs)	Hearing Held on 9/5/18 (RE: related document(s)31 Emergency Motion Of Debtors For Interim And Final Orders (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; filed by Debtor Verity Health System of California, Inc.) (see ruling attached). GRANT. Party to lodge order: Movant . Final Hearing shall be held on October 3, 2018, at 10:00 a.m. (Amended after hearing in RED to set forth additional agreed-upon provisions placed on the record at the hearing regarding amendments to the DIP Financing Agreements.) (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	125	Hearing Set (RE: related document(s)108 Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement filed by Creditor St. Vincent IPA Medical Corporation) The Hearing date is set for 10/3/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	126 (2 pgs)	Order Granting Motion To Appear pro hac vice re Nathan F. Coco, attorney for U.S. Bank National Association, not individually but as Series 2015 Note Trustee (BNC-PDF) (Related Doc # 52) Signed on 9/7/2018 (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	127 (2 pgs)	Order Granting Motion To Appear pro hac vice re Megan Preusker, attorney for U.S. Bank National Association, not individually but as Series 2015 Note Trustee (BNC-PDF) (Related Doc # 53) Signed on 9/7/2018 (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	128 (2 pgs)	Order Granting Motion To Appear pro hac vice re Donald R. Kirk, attorney for Creditor St. Vincent IPA Medical Corporation (BNC-PDF) (Related Doc # 79) Signed on 9/7/2018 (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	129 (2 pgs)	Order Granting Motion To Appear pro hac vice re Damarr M. Butler, attorney for Pension Benefit Guaranty Corporation (BNC-PDF) (Related Doc # 87) Signed on 9/7/2018 (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	130 (3 pgs)	Order (A) Approving The Debtors Filing A Consolidated List Of Fifty Largest General Unsecured Creditors For All Cases; (B) Approving The Debtors Filing A Consolidated Master Mailing Matrix For All Cases; And (C) Permitting The Debtors' Claims And Noticing Agent To Maintain The Master Mailing Matrix (BNC-PDF) (Related Doc # 20) Signed on 9/7/2018 (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	131 (3 pgs)	Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance Companies From Enforcing Ipso Facto Clauses Or Giving Any Notice Of Termination Or Otherwise Modifying Any Insurance Policy Without Obtaining Relief From The Automatic Stay (BNC-PDF) (Related Doc # 24) Signed on 9/7/2018 (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	132 (4 pgs)	Order Granting Emergency Motion Of Debtors For Order Limiting Scope Of Notice (BNC-PDF) (Related Doc # 25) Signed on 9/7/2018 (Lomeli, Lydia R.) (Entered: 09/07/2018)

09/07/2018	133 (3 pgs)	Order Granting Debtors' Emergency Motion For Order (A) Prohibiting Utilities From Altering, Refusing, Or Discontinuing Service And (B) Determining Adequate Assurance Of Payment For Future Utility Services; Memorandum Of Points And Authorities In Support Thereof: (BNC-PDF) (Related Doc # 28) Signed on 9/7/2018 (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	134 (3 pgs)	Interim Order Granting Debtors' Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors. Final Hearing on the Emergency Motion on October 3, 2018, at 10:00 a.m. (BNC-PDF) (Related Doc # 29) Signed on 9/7/2018 (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	135 (2 pgs)	Order Granting Debtors' Emergency Motion Authorizing The Filing Under Seal Of Confidential Patient Information (BNC-PDF) (Related Doc # 21) Signed on 9/7/2018 (Lomeli, Lydia R.) (Entered: 09/07/2018)
09/07/2018	136 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)75 ORDER shortening time (BNC-PDF)) No. of Notices: 1. Notice Date 09/07/2018. (Admin.) (Entered: 09/07/2018)
09/07/2018	137 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)76 ORDER shortening time (BNC-PDF)) No. of Notices: 1. Notice Date 09/07/2018. (Admin.) (Entered: 09/07/2018)
09/08/2018	138 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)83 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 1. Notice Date 09/08/2018. (Admin.) (Entered: 09/08/2018)
09/08/2018	139 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)84 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 1. Notice Date 09/08/2018. (Admin.) (Entered: 09/08/2018)
09/08/2018	140 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)85 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 1. Notice Date 09/08/2018. (Admin.) (Entered: 09/08/2018)
09/08/2018	141 (39 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)86 Order on Motion to Use Cash Collateral (BNC-PDF)) No. of Notices: 1. Notice Date 09/08/2018. (Admin.) (Entered: 09/08/2018)
09/08/2018	142 (6 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)89 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 1. Notice Date 09/08/2018. (Admin.) (Entered: 09/08/2018)
09/08/2018	143 (6 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)90 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 3. Notice Date 09/08/2018. (Admin.) (Entered: 09/08/2018)
09/08/2018	144 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)91 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 09/08/2018. (Admin.) (Entered: 09/08/2018)
09/08/2018	145 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)92 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 09/08/2018. (Admin.) (Entered: 09/08/2018)
09/09/2018	146 (13 pgs)	Opposition to (related document(s): 109 Notice of motion/application filed by Creditor St. Vincent IPA Medical Corporation, 110 Notice of Lodgment filed

		by Creditor St. Vincent IPA Medical Corporation, 111 Application shortening time *(with proof of service)* filed by Creditor St. Vincent IPA Medical Corporation, 112 Notice of Lodgment filed by Creditor St. Vincent IPA Medical Corporation) *Debtors Objection To Application For Order Setting Hearing On Shortened Notice [LBR 9075-1(b)]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/09/2018)
09/10/2018	147 (11 pgs)	Ex parte application *Debtors Ex Parte Motion For An Order Extending Time For Debtors To File Schedules Of Assets And Liabilities, Statements Of Financial Affairs And Other Required Documents; Declaration Of Anita Chou In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) WARNING: See entry 151 for corrective action: Attorney to re-file using correct event code: 'Extend Deadline to File Schedules and/or Plan (Case Opening Documents - All Chapters) (motion)'Modified on 9/10/2018 (Lomeli, Lydia R.). (Entered: 09/10/2018)
09/10/2018	148 (9 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule re Ryan Schultz *2090-1(b)* Filed by Creditor Old Republic Insurance Company, et al (Nassiri, Jennifer) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/10/2018)
09/10/2018	149 (5 pgs)	Order Denying Application For Order Setting Hearing On Shortened Notice re : Motion To Shorten To October 15, 2018, Debtor's Time To Assume Or Reject Healthcare Services Risk Sharing Agreement. The Application is denied. The hearing on the Motion shall take place on regular notice on October 3, 2018, at 10:00 a.m. (BNC-PDF) (Related Doc # 111) Signed on 9/10/2018 (Lomeli, Lydia R.) (Entered: 09/10/2018)
09/10/2018	150	Hearing Set (RE: related document(s)108 Motion To Shorten To October 15, 2018, Debtors Time To Assume Or Reject Healthcare Services Risk Sharing Agreement filed by Creditor St. Vincent IPA Medical Corporation) The Hearing date is set for 10/3/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/10/2018)
09/10/2018	151	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT.** WARNING: Attorney to re-file using correct event code: 'Extend Deadline to File Schedules and/or Plan (Case Opening Documents - All Chapters) (motion)' (RE: related document(s)147 Ex parte application filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 09/10/2018)
09/10/2018	152 (11 pgs)	Motion to Extend Deadline to File Schedules or Provide Required Information, and/or Plan (Case Opening Documents) *Debtors Ex Parte Motion For An Order Extending Time For Debtors To File Schedules Of Assets And Liabilities, Statements Of Financial Affairs And Other Required Documents; Declaration Of Anita Chou In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 09/10/2018)
09/10/2018	153 (12 pgs)	Order Approving (A) Appointing Kurtzman Carson Consultants LLC As Claims And Noticing Agent, And (B) Approving The Form And Manner Of Notice Of Case Commencement And 341(A) Meeting Of Creditors (BNC-PDF) (Related Doc # 27) Signed on 9/10/2018 (Lomeli, Lydia R.) (Entered: 09/10/2018)
09/10/2018	154 (1 pg)	Notice of Change of Address Filed by Creditor Cochlear corporation dba Cochlear Americas . (Lomeli, Lydia R.) (Entered: 09/10/2018)

09/11/2018	155 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Morse, Kevin. (Morse, Kevin) (Entered: 09/11/2018)
09/11/2018	156 (6 pgs; 2 docs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *for United States Government Attorney Lori A. Butler* Filed by Creditor Pension Benefit Guaranty Corporation (Attachments: # 1 Proposed Order) (Butler, Lori) (Entered: 09/11/2018)
09/11/2018	157 (3 pgs)	Order Granting Motion To Extend Deadline to File Schedules or Provide Required Information, and/or Plan (Case Opening Documents). The Motion is granted. The time within which the Debtors must file the Schedules of Assets, Statements of Financial Affairs and Other Required Documents is extended for an additional 30 days, up and through October 14, 2018, without prejudice to the Debtors right to seek an additional extension upon cause shown therefor. The Debtors have not yet uploaded the Master Mailing List of Creditors to CM/ECF in text (.txt) format as required by the Court Manual in the following four cases: 2:18-bk-20171-ER (St. Vincent Dialysis Center, Inc.), 2:18-bk-20178-ER (St. Francis Medical Center of Lynwood Foundation), 2:18-bk-20179-ER (OConnor Hospital Foundation), and 2:18-bk-20180-ER (St. Vincent Foundation). The Master Mailing List of Creditors is not among the documents for which an extension of time to file under Bankruptcy Rule 1007(c) may be granted; instead, this document must be filed at the same time as the filing of the petition. See Bankruptcy Rule 1007(a)(1). Debtors shall file the Master Mailing List of Creditors in each of the four aforementioned cases by no later than September 13, 2018. (BNC-PDF) (Related Doc # 152) Signed on 9/11/2018. (Lomeli, Lydia R.) (Entered: 09/11/2018)
09/11/2018	158 (5 pgs; 2 docs)	Request for special notice Filed by Creditor RightSourcing, Inc.. (Attachments: # 1 Proof of Service) (Serlin, Mark) (Entered: 09/11/2018)
09/11/2018	159 (6 pgs; 2 docs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *for United States Government Attorney Melissa T. Ngo* Filed by Creditor Pension Benefit Guaranty Corporation (Attachments: # 1 Proposed Order) (Ngo, Melissa) (Entered: 09/11/2018)
09/11/2018	160 (1 pg)	Request for special notice Filed by Creditor Retirement Plan for Hospital Employees. (Lapping, Richard) (Entered: 09/11/2018)
09/11/2018	161 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Berry, Alicia. (Berry, Alicia) (Entered: 09/11/2018)
09/11/2018	162 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 75, 76 and 86* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)75 ORDER shortening time (BNC-PDF), 76 ORDER shortening time (BNC-PDF), 86 Order on Motion to Use Cash Collateral (BNC-PDF)). (Maizel, Samuel) (Entered: 09/11/2018)
09/11/2018	163 (33 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 130-135, 146, 152 and 153* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)130 Order (Generic) (BNC-PDF), 131 Order (Generic) (BNC-PDF), 132 Order (Generic) (BNC-PDF), 133 Order (Generic) (BNC-PDF), 134 Order (Generic) (BNC-PDF), 135 Order (Generic) (BNC-PDF), 146 Opposition, 152 Motion to Extend Deadline to File Schedules or Provide Required Information, and/or Plan (Case Opening Documents) *Debtors Ex Parte Motion For An Order Extending Time For Debtors To File Schedules Of Assets And Liabilities, Statements Of Financial Aff, 153 Order (Generic) (BNC-PDF)). (Maizel, Samuel) (Entered: 09/11/2018)*
09/11/2018	164	Order Granting ORDER on application of non-resident attorney to appear in a

	(2 pgs)	specific case per Local Bankruptcy rule re Melissa T. Ngo (BNC-PDF) (Related Doc # 159) Signed on 9/11/2018 (Lomeli, Lydia R.) (Entered: 09/11/2018)
09/11/2018	165 (2 pgs)	Order Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF) re Lori A. Butler (Related Doc # 156) Signed on 9/11/2018 (Lomeli, Lydia R.) (Entered: 09/11/2018)
09/11/2018	166 (2 pgs)	Order Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule re Ryan Schultz (BNC-PDF) (Related Doc # 148) Signed on 9/11/2018 (Lomeli, Lydia R.) (Entered: 09/11/2018)
09/11/2018		Receipt of Tape Duplication Fee - $31.00 by 71. Receipt Number 20229838. (admin) (Entered: 09/11/2018)
09/12/2018	167 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Reynolds, Michael. (Reynolds, Michael) (Entered: 09/12/2018)
09/12/2018	168 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Walker, Matthew. (Walker, Matthew) (Entered: 09/12/2018)
09/12/2018	169 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Gubner, Steven. (Gubner, Steven) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). CORRECTION: Attorney not required to file Request to be Added or Removed from Courtesy Notification of Electronic Filing. Attorney requested removal from NEF on 10/02/2018 369. Modified on 10/26/2018 (Lomeli, Lydia R.). (Entered: 09/12/2018)
09/12/2018	170 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Margulies, Craig. (Margulies, Craig) (Entered: 09/12/2018)
09/12/2018	171 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)126 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/12/2018	172 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)127 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/12/2018	173 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)128 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/12/2018	174 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)129 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/12/2018	175 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)130 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/12/2018	176 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)131 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/12/2018	177 (6 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)132 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)

09/12/2018	178 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)133 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/12/2018	179 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)134 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/12/2018	180 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)135 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/12/2018	181 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)149 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/12/2018	182 (14 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)153 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 09/12/2018. (Admin.) (Entered: 09/12/2018)
09/13/2018	183 (3 pgs)	Notice of Appearance and Request for Notice by Darryl S Laddin Filed by Creditor c/o Darryl S. Laddin Sysco Los Angeles, Inc.. (Laddin, Darryl) (Entered: 09/13/2018)
09/13/2018	184 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Williams, Latonia. (Williams, Latonia) (Entered: 09/13/2018)
09/13/2018	185 (5 pgs)	Notice *of Case Commencement of Chapter 11 Cases and Meeting of Creditors Pursuant to Section 341 of the Bankruptcy Code* Filed by Debtor Verity Health System of California, Inc.. (Moe, John) (Entered: 09/13/2018)
09/13/2018	186 (2 pgs)	Order Granting Motion To Appear pro hac vice re John Ryan Yant (BNC-PDF) (Related Doc # 78) Signed on 9/13/2018 (Lomeli, Lydia R.) (Entered: 09/13/2018)
09/13/2018	187 (15 pgs; 3 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Order Extending Time for Debtors to File Schedules and Assets and Liabilities, Statements of Financial Affairs and Other Required Documents* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)157 Order on Motion to Extend Deadline to File Schedules and/or Plan (Case Opening Documents - All Chapters) (BNC-PDF)). (Attachments: # 1 Exhibit A # 2 Exhibit B) (Moyron, Tania) (Entered: 09/13/2018)
09/13/2018	188 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Davis, Aaron. (Davis, Aaron) (Entered: 09/13/2018)
09/13/2018	189 (10 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* re Margaret M. Anderson, Filed by Creditor Old Republic Insurance Company, et al (Nassiri, Jennifer) Modified on 9/19/2018 (Lomeli, Lydia R.). WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/13/2018)
09/13/2018	190 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)157 Order on Motion to Extend Deadline to File Schedules and/or Plan (Case Opening Documents - All Chapters) (BNC-PDF)) No. of Notices: 3. Notice Date 09/13/2018. (Admin.) (Entered: 09/13/2018)
09/13/2018	191	BNC Certificate of Notice - PDF Document. (RE: related document(s)164

	(5 pgs)	ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 3. Notice Date 09/13/2018. (Admin.) (Entered: 09/13/2018)
09/13/2018	192 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)165 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 3. Notice Date 09/13/2018. (Admin.) (Entered: 09/13/2018)
09/13/2018	193 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)166 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 3. Notice Date 09/13/2018. (Admin.) (Entered: 09/13/2018)
09/14/2018	194 (1 pg)	List of Equity Security Holders Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1 Voluntary Petition (Chapter 11)). (Maizel, Samuel) (Entered: 09/14/2018)
09/14/2018	195 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Swanson, Ralph. (Swanson, Ralph) (Entered: 09/14/2018)
09/15/2018	196 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)186 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 09/15/2018. (Admin.) (Entered: 09/15/2018)
09/17/2018	197 (9 pgs)	Notice of Appointment of Creditors' Committee Filed by United States Trustee. (united states trustee (hy)) (Entered: 09/17/2018)
09/17/2018	198 (8 pgs)	Notice of Appearance and Request for Notice by James Cornell Behrens Filed by Creditor Committee Proposed Counsel for the Official Committee of Unsecured Creditors of Verity Health System of California,Inc., et al.. (Behrens, James) (Entered: 09/17/2018)
09/17/2018	199 (2 pgs)	Order Granting Motion To Appear pro hac vice re Margaret M. Anderson (BNC-PDF) (Related Doc # 189) Signed on 9/17/2018 (Lomeli, Lydia R.) (Entered: 09/17/2018)
09/17/2018	200 (2 pgs)	Notice of Appearance and Request for Notice *and Inclusion on Mailing List* by Kyrsten Skogstad Filed by Creditor California Nurses Association. (Skogstad, Kyrsten) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/17/2018)
09/17/2018	201 (41 pgs)	Notice *Notice Of Final Hearing On Debtors Emergency Motion Of Debtors For Interim And Final Orders (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 110* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 09/17/2018)
09/18/2018	202 (2 pgs)	Notice *Of Appearance and Request for Mailing of Notices* Filed by Creditor Stryker Corporation. (Purkey, Lori) (Entered: 09/18/2018)
09/18/2018	203 (2 pgs)	Certificate of Service Filed by Creditor Stryker Corporation (RE: related document(s)202 Notice *Of Appearance and Request for Mailing of Notices* Filed by Creditor Stryker Corporation.). (Purkey, Lori) (Entered: 09/18/2018)
09/18/2018	204 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Official Committee of Unsecured Creditors; Stipulation Extending Deadlines for Official Committee of Unsecured Creditors to File Objections to Debtors'*

		First-Day Motions Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/18/2018)
09/18/2018	205 (4 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule re ROBERT M. HIRSH. Filed by Creditor Medline Industries, Inc. (Lomeli, Lydia R.) WARNING: See entry 206 for corrective entry. Attorney Aram Ordubegian to lodge order via LOU. Modified on 9/18/2018 (Lomeli, Lydia R.). (Entered: 09/18/2018)
09/18/2018	206	Notice to Filer of Error and/or Deficient Document **Other -** WARNING: Attorney Aram Ordubegian to lodge order via LOU. (RE: related document(s)205 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Creditor Medline Industries, Inc.) (Lomeli, Lydia R.) (Entered: 09/18/2018)
09/18/2018	207 (2 pgs)	UNDER SEALED DOCUMENTS re Debtor's Filing Under Seal of Confidential Patient Information (Lomeli, Lydia R.) (Entered: 09/18/2018)
09/19/2018	208 (2 pgs)	Order Approving Stipulation Extending Deadlines For Official Committee Of Unsecured Creditors To File Objections To Debtors Firstday Motions. The OCCs Opposition Deadlines (as defined in the Stipulation) to the First-Day Motions shall be extended from September 19, 2018, at 4:00 p.m. (Pacific Standard Time), to September 27, 2018, at 12:00 p.m. (Pacific Standard Time). The Reply Deadlines (as defined in the Motion) to any opposition filed by the OCC shall be extended from September 26, 2018 to October 1, 2018, at 12:00 p.m. (Pacific Standard Time). (BNC-PDF) (Related Doc # 204) Signed on 9/19/2018 (Lomeli, Lydia R.) (Entered: 09/19/2018)
09/19/2018	209 (1 pg)	Notice / *Receipt paid at U.S. District Court on 9/5/18. $400.00.* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (RE: related document(s)65 Motion to Appear pro hac vice *by Clark Whitmore* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee). (Strabo, Jason) (Entered: 09/19/2018)
09/19/2018	210 (1 pg)	Notice / *Receipt paid at U.S. District Court on 9/4/18. $400.00.* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (RE: related document(s)52 Motion to Appear pro hac vice *by Nathan F. Coco* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee). (Strabo, Jason) (Entered: 09/19/2018)
09/19/2018	211 (1 pg)	Notice / *Receipt paid at U.S. District Court on 9/4/18. $400.00.* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (RE: related document(s)53 Motion to Appear pro hac vice *by Megan Preusker* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee). (Strabo, Jason) (Entered: 09/19/2018)
09/19/2018	212 (22 pgs)	Opposition to (related document(s): 108 Motion *Memorandum of Points and Authorities in Support of Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement (with proofs of service)* filed by Creditor St. Vincent IPA Medical Corporation) *Debtors' Opposition to St. Vincent IPA Medical Services' Motion to Assume or Reject Health Services Risk Sharing Agreement on an Expedited Basis* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/19/2018)
09/19/2018	213 (16 pgs)	Objection (related document(s): 22 Emergency motion *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directi* filed by Debtor *Verity Health System of California, Inc., 31 Emergency motion*

		Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Filed by Creditor SEIU United Healthcare Workers - West (Rich, Emily) (Entered: 09/19/2018)
09/19/2018	214 (18 pgs)	Declaration re: *Declaration of Caitlin Gray in support of SEIU UHW's Opposition to Emergency Motion of Debtors for Entry of Order Authorizing Payment of Employee Benefits and Other Workforce Obligations* Filed by Creditor SEIU United Healthcare Workers - West (RE: related document(s)213 Objection). (Rich, Emily) (Entered: 09/19/2018)
09/19/2018	215 (42 pgs)	Declaration re: *Declaration of David Miller in support of SEIU UHW's Opposition to Emergency Motion of Debtors for Entry of Order Authorizing Payment of Employee Benefits and Other Workforce Obligations* Filed by Creditor SEIU United Healthcare Workers - West (RE: related document(s)213 Objection). (Rich, Emily) (Entered: 09/19/2018)
09/19/2018	216 (6 pgs)	Proof of service *re SEIU-UHW's Objection and supporting declarations* Filed by Creditor SEIU United Healthcare Workers - West (RE: related document(s)213 Objection, 214 Declaration, 215 Declaration). (Rich, Emily) (Entered: 09/19/2018)
09/19/2018	217 (2 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *St. Vincent IPA Medical Corporation* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 09/19/2018)
09/19/2018	218 (12 pgs; 2 docs)	Objection (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Retirement Plan for Hospital Employees (Attachments: # 1 Affidavit Declaration of Michael Holdsworth in support of Objection) (Lapping, Richard) (Entered: 09/19/2018)*
09/19/2018	219 (37 pgs; 3 docs)	Notice *Renewed Reservation of Rights* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (RE: related document(s)31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Anita Chou In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Attachments: # 1 Appendix A # 2 Proof of Service) (Strabo, Jason) (Entered: 09/19/2018)
09/19/2018	220 (83 pgs; 2 docs)	Opposition to (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Filed by Attorney Alicia Berry (Attachments: # 1 Exhibit Exhibit A) (Berry, Alicia) (Entered: 09/19/2018)*
09/19/2018	221	Notice / Receipt $400.00 paid at US District Court on 9-5-18. Filed by

	(3 pgs)	Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (RE: related document(s)91 Order Granting Motion To Appear pro hac vice re Clark Whitmore, U.S. Bank National Association, not individually, but as Indenture Trustee (BNC-PDF) (Related Doc # 65) Signed on 9/6/2018 (Lomeli, Lydia R.)). (Lomeli, Lydia R.) (Entered: 09/19/2018)
09/19/2018	222 (3 pgs)	Proof of service *to Opposition Debtors Emergency Motion* Filed by Attorney Alicia Berry. (Berry, Alicia) (Entered: 09/19/2018)
09/19/2018	223 (9 pgs)	Objection (related document(s): 22 Emergency motion *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directi filed by Debtor Verity Health System of California, Inc.) and Certificate of Service Filed by Creditor California Nurses Association (Skogstad, Kyrsten) (Entered: 09/19/2018)*
09/19/2018	224 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *McKesson Corporation; Stipulation Extending Deadlines for McKesson Corporation to File Objections to Motion Authorizing Debtors to Obtain Post Petition Financing and Use Cash Collateral* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/19/2018)
09/19/2018	225 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Aetna Life Insurance Company; Stipulation Extending Deadlines for Aetna Life Insurance Company to File Objections to Motion Authorizing Debtors to Obtain Post Petition Financing and Use Cash Collateral* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/19/2018)
09/19/2018	226 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *California Statewide Communities Development Authority; Stipulation Extending Deadlines For California Statewide Communities Development Authority To File Objections To Motion Authorizing Debtors To Obtain Post Petition Financing And Use Cash Collateral* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/19/2018)
09/19/2018	227 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *UMB Bank N.A., as Successor Master Trustee; and Wells Fargo Bank NA,as Series 2005 Bond Trustee; Stipulation Extending UMB Bank NA, As Successor Master Trustee And Wells Fargo Bank Na As 2005 Bond Trustee To File Objections To Motion Authorizing Debtors To Obtain Post Petition Financing And Use Cash Collateral And Critical Vendor Motion* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/19/2018)
09/19/2018	228 (2 pgs)	Order Granting Motion To Appear pro hac vice re Robert M. Hirsh . (BNC-PDF) (Related Doc # 205) Signed on 9/19/2018 (Lomeli, Lydia R.) (Entered: 09/19/2018)
09/19/2018	229 (5 pgs)	Objection (related document(s): 22 Emergency motion *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directi filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Retirement Plan for Hospital Employees (Lapping, Richard) (Entered: 09/19/2018)*
09/19/2018	230 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)199 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 09/19/2018. (Admin.) (Entered: 09/19/2018)

09/20/2018	231 (38 pgs)	Notice *of Applicability of Large-Case United States Trustee Fee Guidelines* Filed by U.S. Trustee United States Trustee (LA). (Yip, Hatty) (Entered: 09/20/2018)
09/20/2018	232 (1 pg)	Transcript Order Form, regarding Hearing Date 09/05/18 Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 09/20/2018)
09/20/2018	233	Transcript Record Transmittal (Court transcript records have been uploaded to FDS). For Order Number: 18-ER-17. RE Hearing Date: 09/05/2018, [TRANSCRIPTION SERVICE PROVIDER: Ben Hyatt Certified Deposition Reporters, Telephone number 888-272-0022.] (RE: related document(s)232 Transcript Order Form (Public Request) filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 09/20/2018)
09/20/2018	234 (7 pgs)	Statement *Reclamation Claim and Reservation of Rights* Filed by Creditor American National Red Cross. (Haas, Mary) (Entered: 09/20/2018)
09/20/2018	235 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)208 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/21/2018. (Admin.) (Entered: 09/20/2018)
09/20/2018	236 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)228 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 09/21/2018. (Admin.) (Entered: 09/20/2018)
09/20/2018	237 (2 pgs)	Notice *of Appearance and Request for Notice* Filed by Creditor County of San Mateo. (Benvenutti, Peter) (Entered: 09/20/2018)
09/20/2018	238 (2 pgs)	Notice *os Appearance and Request for Notice* Filed by Creditor County of San Mateo. (Benvenutti, Peter) (Entered: 09/20/2018)
09/20/2018	239 (2 pgs)	Order Approving Stipulation Extending Deadlines For Official Committee Of Unsecured Creditors To File Objection To Group's Motion (BNC-PDF) (Related Doc # 217) Signed on 9/20/2018 (Lomeli, Lydia R.) (Entered: 09/20/2018)
09/20/2018	240 (2 pgs)	Order Approving Stipulation Extending Deadline For Mckesson Corporation To File Objections To Motion Authorizing Debtors To Obtain Post Petition Financing And Use Cash Collateral (BNC-PDF) (Related Doc # 224) Signed on 9/20/2018 (Lomeli, Lydia R.) (Entered: 09/20/2018)
09/20/2018	241 (2 pgs)	Order Approving Stipulation Extending Deadlines For California Statewide Communities Authority To File Objections To Motion Authorizing Debtors To Obtain Post Petition Financing And Use Cash Collateral (BNC-PDF) (Related Doc # 226) Signed on 9/20/2018 (Lomeli, Lydia R.) (Entered: 09/20/2018)
09/20/2018	242 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Rome-Banks, Julie. (Rome-Banks, Julie) (Entered: 09/20/2018)
09/20/2018	243 (2 pgs)	Order Approving Stipulation Extending Deadlines For UMB Bank N.A. As Successor Master Trustee And Wells Fargo Bank N.A. As 2005 Bond Trustee To File Objections To Motion Authorizing Debtors To Obtain Post Petition Financing And Use Cash Collateral And Critical Vendor Motion (BNC-PDF) (Related Doc # 227) Signed on 9/20/2018 (Lomeli, Lydia R.) (Entered: 09/20/2018)
09/20/2018	244	Order Approving Stipulation Extending Deadlines For Aetna Life Insurance

	(2 pgs)	Company To File Objections To Motion Authorizing Debtors To Obtain Post Petition Financing And Use Cash Collateral (BNC-PDF) (Related Doc # 225) Signed on 9/20/2018 (Lomeli, Lydia R.) (Entered: 09/20/2018)
09/20/2018	245 (4 pgs)	Affidavit Re: *of Publication of the Notice of Case Commencement of Chapter 11 Cases and Meeting of Creditors Pursuant to Section 341 of the Bankruptcy Code in the San Jose Mercury News* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 09/20/2018)
09/20/2018	246 (5 pgs)	Affidavit Re: *of Publication of the Notice of Case Commencement of Chapter 11 Cases and Meeting of Creditors Pursuant to Section 341 of the Bankruptcy Code in the San Francisco Chronicle* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 09/20/2018)
09/20/2018	247 (5 pgs)	Affidavit Re: *of Publication of the Notice of Case Commencement of Chapter 11 Cases and Meeting of Creditors Pursuant to Section 341 of the Bankruptcy Code in the Los Angeles Times* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 09/20/2018)
09/20/2018	248 (14 pgs; 4 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Notice of Final Hearing on Debtors' Emergency Motion of Debtors for Interim and Final Orders (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. Sections 105, 363, 364, 1107 and 110* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)201 Notice). (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C) (Moyron, Tania) (Entered: 09/20/2018)
09/21/2018	249 (95 pgs; 4 docs)	Motion to Reject Lease or Executory Contract *Debtors' Notice of Motion and Motion to Reject, Pursuant to 11 U.S.C. Section 365(A), Professional Services Agreement and Development Agreement with Hunt Spine Institute, Inc. Nunc Pro Tunc to the Petition Date; Memorandum of Points and Authorities; Declaration of Stephen Campbell, M.D.* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C) (Moyron, Tania) (Entered: 09/21/2018)
09/21/2018	250	Hearing Set (RE: related document(s)249 Motion to Reject Lease or Executory Contract filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 10/17/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/21/2018)
09/21/2018	251 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Swinerton Builders; Stipulation Extending Deadlines for Swinerton Builders to File Objections to First Day Orders* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/21/2018)
09/21/2018	252 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) *for Hunt Spine Institute, Inc.* Filed by Breslauer, Michael. (Breslauer, Michael) (Entered: 09/21/2018)
09/21/2018	253 (3 pgs)	Notice of Appearance and Request for Notice by Dustin P Branch Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee. (Branch, Dustin) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/21/2018)
09/21/2018	254 (91 pgs)	Motion *Debtors' Notice of Motion and Motion to Reject Health System Management Agreement with Integrity Healthcare, LLC; Memorandum of Points and Authorities; Declaration of Richard G. Adcock* Filed by Debtor

		Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 09/21/2018)
09/21/2018	255 (9 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *William P. Wassweiler* Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee (Branch, Dustin) WARNING: See entry 264 for corrective entry. Attorney to re-file as locked/flattened pdf.Modified on 9/24/2018 (Lomeli, Lydia R.). WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/21/2018)
09/21/2018	256 (435 pgs; 2 docs)	Notice *of Filing of Letter from Wendi Horwitz, Deputy Attorney General, to John O. Chesley, Ropes & Gray, LLP Re: Proposed Changes in Governance and Control of Daughters of Charity Health System, Dated Dec. 3, 2015* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)254 Motion *Debtors' Notice of Motion and Motion to Reject Health System Management Agreement with Integrity Healthcare, LLC; Memorandum of Points and Authorities; Declaration of Richard G. Adcock* Filed by Debtor Verity Health System of California, Inc.). (Attachments: # 1 Exhibit A) (Maizel, Samuel) (Entered: 09/21/2018)
09/21/2018	257 (9 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *Charles E. Nelson* Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee (Branch, Dustin) WARNING: See entry 265 for corrective action. Attorney to re-file document as locked/flattened pdf. Modified on 9/24/2018 (Lomeli, Lydia R.). (Entered: 09/21/2018)
09/22/2018	258 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)239 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/22/2018. (Admin.) (Entered: 09/22/2018)
09/22/2018	259 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)240 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/22/2018. (Admin.) (Entered: 09/22/2018)
09/22/2018	260 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)241 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/22/2018. (Admin.) (Entered: 09/22/2018)
09/22/2018	261 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)243 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/22/2018. (Admin.) (Entered: 09/22/2018)
09/22/2018	262 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)244 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/22/2018. (Admin.) (Entered: 09/22/2018)
09/24/2018	263	Hearing Set (RE: related document(s)254 Debtors Notice Of Motion AndMotion To Reject Health System Management Agreement WithIntegrity Healthcare, LLC filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 10/17/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/24/2018)
09/24/2018	264	Notice to Filer of Error and/or Deficient Document **Incorrect/incomplete/unreadable PDF was attached to the docket entry. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT WITH THE CORRECT PDF IMMEDIATELY.** WARNING: Attorney to re-file as locked/flattened pdf. (RE: related document(s)255 Application of non-

		resident attorney to appear in a specific case per Local Bankruptcy rule filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee) (Lomeli, Lydia R.) (Entered: 09/24/2018)
09/24/2018	265	Notice to Filer of Error and/or Deficient Document **Incorrect/incomplete/unreadable PDF was attached to the docket entry. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT WITH THE CORRECT PDF IMMEDIATELY.** WARNING: Attorney to re-file document as locked/flattened pdf. (RE: related document(s)257 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee) (Lomeli, Lydia R.) (Entered: 09/24/2018)
09/24/2018	266 (9 pgs)	Notice *of Appearance and Request for Special Notice* Filed by Creditor Swinerton Builders. (Schultz, Nathan) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/24/2018)
09/24/2018	267 (7 pgs)	Stipulation By United States Trustee (LA) and *Debtors for Order Directing the Appointment of a Patient Care Ombudsman pursuant to 11 U.S.C. Sec. 333* Filed by U.S. Trustee United States Trustee (LA) (Yip, Hatty) (Entered: 09/24/2018)
09/24/2018	268 (7 pgs)	Notice of lodgment *of Order* Filed by U.S. Trustee United States Trustee (LA) (RE: related document(s)267 Stipulation By United States Trustee (LA) and *Debtors for Order Directing the Appointment of a Patient Care Ombudsman pursuant to 11 U.S.C. Sec. 333*). (Yip, Hatty) (Entered: 09/24/2018)
09/24/2018	269 (12 pgs)	Objection (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) [Limited Objection] Filed by Creditor Swinerton Builders (Schultz, Nathan) (Entered: 09/24/2018)*
09/24/2018	270 (32 pgs; 4 docs)	Declaration re: *Limited Objection to Motion of Debtors for Final Orders (A) Authorizing the Debtors to Obtain Post Petition Financing [...] (Curtis Johnson)* Filed by Creditor Swinerton Builders (RE: related document(s)269 Objection). (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C) (Schultz, Nathan) (Entered: 09/24/2018)
09/24/2018	271 (812 pgs; 13 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 132 and 185* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)132 Order (Generic) (BNC-PDF), 185 Notice). (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C-1 # 4 Exhibit C-2 # 5 Exhibit C-3 # 6 Exhibit C-4 # 7 Exhibit C-5 # 8 Exhibit D # 9 Exhibit E # 10 Exhibit F # 11 Exhibit G # 12 Exhibit H) (Moyron, Tania) (Entered: 09/24/2018)
09/24/2018	272 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *McKesson Corporation; Stipulation Extending Deadlines for McKesson Corporation to File Objections to Motion Authorizing Debtors to Obtain Post Petition Financing and Use Cash Colateral* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/24/2018)
09/24/2018	273 (57 pgs)	Transcript regarding Hearing Held 09/05/18 RE: In Re: Verity Health System of California, Inc.. Remote electronic access to the transcript is restricted until 12/24/2018. The transcript may be viewed at the Bankruptcy Court Clerk's Office on a public terminal **or** purchased through the Transcription Service Provider before the transcript access restriction has ended.

		[TRANSCRIPTION SERVICE PROVIDER: Ben Hyatt Corporation, Telephone number 8882720022.]. Notice of Intent to Request Redaction Deadline Due By 10/1/2018. Redaction Request Due By 10/15/2018. Redacted Transcript Submission Due By 10/25/2018. Transcript access will be restricted through 12/24/2018. (Hyatt, Mitchell) (Entered: 09/24/2018)
09/24/2018	274 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *United Nurses Associations of California/Union of Health Care Professionals; Stipulation Extending Deadlines for United Nurses Associations of California/Union of Health Care Professionals to File Objections to First Day Orders* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/24/2018)
09/24/2018	275 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *UMB Bank NA as Successor Master Trustee and Wells Fargo Bank NA as 2005 Bond Trustee; Stipulation Extending UMB Bank NA as Successor Master Trustee and Wells Fargo Bank NA as 2005 Bond Trustee to File Objections to Motion Authorizing Debtors to Obtain Post Petition Financing and Use Cash Collateral and Critical Vendor Motion* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/24/2018)
09/24/2018	276 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Aetna Life Insurance Company; Stipulation Extending Deadlines for Aetna Life Insurance Company to File Objections to Motion Authorizing Debtors to Obtain Post Petition Financing and Use Cash Collateral* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/24/2018)
09/24/2018	277 (12 pgs; 2 docs)	Amended Application (related document(s): 257 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *Charles E. Nelson* filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee) Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee (Attachments: # 1 Exhibit A (Fee Receipt)) (Branch, Dustin) (Entered: 09/24/2018)
09/24/2018	278 (12 pgs; 2 docs)	Amended Application (related document(s): 255 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *William P. Wassweiler* filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee) Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee (Attachments: # 1 Exhibit A (Fee Receipt)) (Branch, Dustin) (Entered: 09/24/2018)
09/24/2018	279 (59 pgs; 2 docs)	Opposition to (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Mckesson Corporation's Opposition to Emergency Motion of Debtors For Interim and Final Orders (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; Declaration of Bryan Thompson in Support Thereof Filed by Creditor McKesson Corporation (Attachments: # 1 Declaration) (Garfinkle, Jeffrey) (Entered: 09/24/2018)*
09/24/2018	280 (10 pgs; 4 docs)	Notice of lodgment *Notice of Lodgment of Order in Bankruptcy Case Re: Application of Non-Resident Attorney to Appear in a Specific Case [LBR 2090-1(b)] (William P. Wassweiler)* Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee (RE: related document(s)255 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *William P. Wassweiler* Filed by Interested Party Wells Fargo

		Bank, National Association, as indenture trustee (Branch, Dustin) WARNING: See entry 264 for corrective entry. Attorney to re-file as locked/flattened pdf.Modified on 9/24/2018 (Lomeli, Lydia R.)., 278 Amended Application (related document(s): 255 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *William P. Wassweiler* filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee) Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee (Attachments: # 1 Exhibit A (Fee Receipt))). (Attachments: # 1 Proposed Order # 2 Fee Receipt # 3 Service List) (Branch, Dustin) (Entered: 09/24/2018)
09/24/2018	281 (10 pgs; 4 docs)	Notice of lodgment *Notice of Lodgment of Order in Bankruptcy Case Re: Application of Non-Resident Attorney to Appear in a Specific Case [LBR 2090-1(b)] (Charles E.Nelson)* Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee (RE: related document(s)257 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *Charles E. Nelson* Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee (Branch, Dustin) WARNING: See entry 265 for corrective action. Attorney to re-file document as locked/flattened pdf. Modified on 9/24/2018 (Lomeli, Lydia R.)., 277 Amended Application (related document(s): 257 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *Charles E. Nelson* filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee) Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee (Attachments: # 1 Exhibit A (Fee Receipt))). (Attachments: # 1 Proposed Order # 2 Fee Receipt # 3 Service List) (Branch, Dustin) (Entered: 09/24/2018)
09/25/2018	282 (2 pgs)	Order Approving Stipulation Extending Deadlines For Swinerton Builders To File Objections To First Day OrdersOrder Approving Stipulation Extending Deadlines For Swinerton Builders To File Objections To First Day Ordersn (BNC-PDF) (Related Doc # 251) Signed on 9/25/2018 (Lomeli, Lydia R.) (Entered: 09/25/2018)
09/25/2018	283 (2 pgs)	Order Approving Stipulation For Order Directing The Appointment Of A Patient Care Ombudsman Pursuant To 11 U.S.C. 333 (BNC-PDF) (Related Doc # 267) Signed on 9/25/2018 (Lomeli, Lydia R.) (Entered: 09/25/2018)
09/25/2018	284 (10 pgs)	Motion to Appear pro hac vice *of Robert N. Amkraut* Filed by Creditor Swinerton Builders (Schultz, Nathan) (Entered: 09/25/2018)
09/25/2018	285 (2 pgs)	Order Approving Stipulation Extending Deadline For Mckesson Corporation To File Objections To Motion Authorizing Debtors To Obtain Post Petition Financing And Use Cash Collateral (BNC-PDF) (Related Doc # 272) Signed on 9/25/2018 (Lomeli, Lydia R.) (Entered: 09/25/2018)
09/25/2018	286 (2 pgs)	Order Approving Stipulation Extending Deadlines For United Nurses Associations Of California/Union Of Health Care Professionals To File Objections To Debtors' First-Day Orders (BNC-PDF) (Related Doc # 274) Signed on 9/25/2018 (Lomeli, Lydia R.) (Entered: 09/25/2018)
09/25/2018	287 (2 pgs)	Order Approving Stipulation Extending Deadline For Umb Bank NA, As Successor Master Trustee And Wells Fargo Bank NA As 2005 Bond Trustee To File Objections To Motion Authorizing Debtors To Obtain Post Petition Financing And Use Cash Collateral (BNC-PDF) (Related Doc # 275) Signed on 9/25/2018 (Lomeli, Lydia R.) (Entered: 09/25/2018)
09/25/2018	288 (2 pgs)	Order Approving Stipulation Extending Deadline For Aetna Life Insurance Company To File Objections To Motion Authorizing Debtors To Obtain Post

		Petition Financing And Use Cash Collateral (BNC-PDF) (Related Doc # 276) Signed on 9/25/2018 (Lomeli, Lydia R.) (Entered: 09/25/2018)
09/25/2018	289 (11 pgs)	Objection (related document(s): 29 Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors; Memorandum Of Points And Authorities In Support Thereof* filed by Debtor Verity Health System of California, Inc.) *(Limited Objection)* Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (O'Brient, Abigail) (Entered: 09/25/2018)
09/25/2018	290 (4 pgs)	Order On Application Of Non-Resident Attorney To Appear In A Specific Case [LBR 2090-1(b)] re William P. Wassweiler (BNC-PDF) (Related Doc # 278) Signed on 9/25/2018 (Lomeli, Lydia R.) (Entered: 09/25/2018)
09/25/2018	291 (4 pgs)	Order Granting Motion To Amend Application re Charles E. Nelson. (BNC-PDF) (Related Doc # 277) Signed on 9/25/2018 (Lomeli, Lydia R.) (Entered: 09/25/2018)
09/25/2018	292 (99 pgs; 3 docs)	Objection (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (Attachments: # 1 Schedule A # 2 Exhibit A) (O'Brient, Abigail) (Entered: 09/25/2018)*
09/25/2018	293 (2 pgs)	Order Granting Motion To Appear pro hac vice re Robert N. Amkraut (BNC-PDF) (Related Doc # 284) Signed on 9/25/2018 (Lomeli, Lydia R.) (Entered: 09/25/2018)
09/25/2018	294 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Plevin, Mark. (Plevin, Mark) (Entered: 09/25/2018)
09/25/2018	295 (6 pgs)	Notice of Appearance and Request for Notice by Joseph A Kohanski Filed by Creditor United Nurses Associations of CA/Union of Health Care Professionals. (Kohanski, Joseph) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 09/25/2018)
09/25/2018	296 (9 pgs)	Objection (related document(s): 22 Emergency motion *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directi filed by Debtor Verity Health System of California, Inc.) Filed by Creditor United Nurses Associations of CA/Union of Health Care Professionals (Kohanski, Joseph) (Entered: 09/25/2018)*
09/25/2018	297 (8 pgs)	Objection (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Filed by Creditor United Nurses Associations of CA/Union of Health Care Professionals (Kohanski, Joseph) (Entered: 09/25/2018)*
09/25/2018	298 (2 pgs)	Notice *of Appearance and Request for Notice* Filed by Creditor California Statewide Communities Development Authority. (Riley, Debra) (Entered: 09/25/2018)

09/25/2018	299 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Jewett-Brewster, Monique. (Jewett-Brewster, Monique) (Entered: 09/25/2018)
09/26/2018	300 (20 pgs)	Notice of Appearance and Request for Notice by Steven M Berman Filed by Creditor KForce, Inc.. (Berman, Steven) (Entered: 09/26/2018)
09/26/2018	301 (13 pgs)	Response to (related document(s): 108 Motion *Memorandum of Points and Authorities in Support of Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement (with proofs of service)* filed by Creditor St. Vincent IPA Medical Corporation) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 09/26/2018)
09/26/2018	302 (57 pgs)	Motion *for Order Compelling O'Connor Hospital to Assume or Reject Affiliation Agreement; Memorandum of Points and Authorities; Declaration of Ann Dohn* Filed by Creditor Stanford Health Care (Walker, Matthew) (Entered: 09/26/2018)
09/26/2018	303 (7 pgs)	Notice of motion/application Filed by Creditor Stanford Health Care (RE: related document(s)302 Motion *for Order Compelling O'Connor Hospital to Assume or Reject Affiliation Agreement; Memorandum of Points and Authorities; Declaration of Ann Dohn* Filed by Creditor Stanford Health Care). (Walker, Matthew) (Entered: 09/26/2018)
09/26/2018	304 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Kallick, Ivan. (Kallick, Ivan) (Entered: 09/26/2018)
09/26/2018	305	Hearing Set (RE: related document(s)302 Motion for Order Compelling O'Connor Hospital to Assume or Reject Affiliation Agreement. filed by Creditor Stanford Health Care) The Hearing date is set for 10/24/2018 at 11:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/26/2018)
09/26/2018	306 (18 pgs)	Reply to (related document(s): 108 Motion *Memorandum of Points and Authorities in Support of Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement (with proofs of service)* filed by Creditor St. Vincent IPA Medical Corporation, 109 Notice of motion/application filed by Creditor St. Vincent IPA Medical Corporation) *Reply to Debtor's Opposition Memorandum of Points and Authorities in Support of Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement* Filed by Creditor St. Vincent IPA Medical Corporation (Neubauer, Mark) (Entered: 09/26/2018)
09/26/2018	307 (18 pgs)	Declaration re: *Supplemental Declaration of Jeffrey Hendel, M.D. in Support of Reply for Motion to Shorten to October 15, 2018 Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement* Filed by Creditor St. Vincent IPA Medical Corporation (RE: related document(s)108 Motion *Memorandum of Points and Authorities in Support of Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement (with proofs of service)*). (Neubauer, Mark) (Entered: 09/26/2018)
09/26/2018	308 (8 pgs)	Withdrawal re: *Notice of Resolution of Disputes and Withdrawal of Mckesson Corporations Opposition to Emergency Motion of Debtors for Interim and Final Orders (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* Filed by Creditor McKesson Corporation

		(RE: related document(s)279 Opposition). (Garfinkle, Jeffrey) (Entered: 09/26/2018)
09/26/2018	309 (199 pgs; 4 docs)	Reply to (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Omnibus Reply of Debtors' to the Objections to the Debtors' Motion 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. Sections 105, 363, 364, 1107 and 1108 Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3) (Maizel, Samuel) (Entered: 09/26/2018)*
09/26/2018	310 (35 pgs; 4 docs)	Reply to (related document(s): 22 Emergency motion *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directi filed by Debtor Verity Health System of California, Inc.) Omnibus Response to Objections to Emergency Motion of Debtors for Entry of Order: (I) Authorizing the Debtors to (A) Pay Prepetition Employee Wages and Salaries, and (B) Pay and Honor Employee Benefits and Other Workforce Obligations; and (II) Authorizing and Directing the Applicable Bank to Pay All Checks and Electronic Payment Requests Made by the Debtors Relating to the Foregoing [Related Pleadings Nos. 22, 75, 213, 214, 215, 223, 229, 296] Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3) (Moyron, Tania) (Entered: 09/26/2018)*
09/27/2018	311 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Berke-Dreyfuss, Elizabeth. (Berke-Dreyfuss, Elizabeth) (Entered: 09/27/2018)
09/27/2018	312 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Klausner, Gary. (Klausner, Gary) (Entered: 09/27/2018)
09/27/2018	313 (17 pgs)	Opposition to (related document(s): 23 Emergency motion *of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Tra filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 09/27/2018)*
09/27/2018	314 (14 pgs)	Opposition to (related document(s): 29 Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors; Memorandum Of Points And Authorities In Support Thereof* filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 09/27/2018)
09/27/2018	315 (14 pgs)	Opposition to (related document(s): 22 Emergency motion *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directi filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 09/27/2018)*

09/27/2018	316 (39 pgs)	Opposition to (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 09/27/2018)*
09/27/2018	317 (20 pgs; 6 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 251, 254, 256, 272, 274, 275 and 276* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)251 Stipulation By Verity Health System of California, Inc. and *Swinerton Builders; Stipulation Extending Deadlines for Swinerton Builders to File Objections to First Day Orders*, 254 Motion *Debtors' Notice of Motion and Motion to Reject Health System Management Agreement with Integrity Healthcare, LLC; Memorandum of Points and Authorities; Declaration of Richard G. Adcock*, 274 Stipulation By Verity Health System of California, Inc. and *United Nurses Associations of California/Union of Health Care Professionals; Stipulation Extending Deadlines for United Nurses Associations of California/Union of Health Care Professiona, 275 Stipulation By Verity Health System of California, Inc. and UMB Bank NA as Successor Master Trustee and Wells Fargo Bank NA as 2005 Bond Trustee; Stipulation Extending UMB Bank NA as Successor Master Trustee and Wells Fargo Bank NA as 2005 Bond T, 276 Stipulation By Verity Health System of California, Inc. and Aetna Life Insurance Company; Stipulation Extending Deadlines for Aetna Life Insurance Company to File Objections to Motion Authorizing Debtors to Obtain Post Petition Financing and Use). (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E) (Moyron, Tania) (Entered: 09/27/2018)*
09/27/2018	318 (19 pgs; 6 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Debtors' Notice of Motion and Motion to Reject, Pursuant to 11 U.S.C. Section 365(A), Professional Services Agreement and Development Agreement With Hunt Spine Institute, Inc. Nunc Pro Tunc to the Petition Date; Memorandum of Points and Authorities; Declarationof Stephen Campbell, M.D.* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)249 Motion to Reject Lease or Executory Contract *Debtors' Notice of Motion and Motion to Reject, Pursuant to 11 U.S.C. Section 365(A), Professional Services Agreement and Development Agreement with Hunt Spine Institute, Inc. Nunc Pro Tunc to the Pet). (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E) (Moyron, Tania) (Entered: 09/27/2018)*
09/27/2018	319 (4 pgs)	Errata *Notice to Omnibus Reply of Debtors' to the Objections to the Debtors' Motion 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. Sections 105, 363, 364, 1107 and 1108* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)309 Reply). (Moyron, Tania) (Entered: 09/27/2018)
09/27/2018	320 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Morales, Monserrat. (Morales, Monserrat) (Entered: 09/27/2018)
09/27/2018	321 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)282 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/27/2018. (Admin.) (Entered: 09/27/2018)
09/27/2018	322 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)283 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/27/2018. (Admin.) (Entered: 09/27/2018)

09/27/2018	323 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)285 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/27/2018. (Admin.) (Entered: 09/27/2018)
09/27/2018	324 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)286 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/27/2018. (Admin.) (Entered: 09/27/2018)
09/27/2018	325 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)287 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/27/2018. (Admin.) (Entered: 09/27/2018)
09/27/2018	326 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)288 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 09/27/2018. (Admin.) (Entered: 09/27/2018)
09/27/2018	327 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)290 Order on Motion to Amend Application (BNC-PDF)) No. of Notices: 3. Notice Date 09/27/2018. (Admin.) (Entered: 09/27/2018)
09/27/2018	328 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)291 Order on Motion to Amend Application (BNC-PDF)) No. of Notices: 3. Notice Date 09/27/2018. (Admin.) (Entered: 09/27/2018)
09/27/2018	329 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)293 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 09/27/2018. (Admin.) (Entered: 09/27/2018)
09/28/2018	330 (3 pgs)	Notice of Appearance and Request for Notice by Kevin M Eckhardt Filed by Creditor Smith & Nephew, Inc.. (Eckhardt, Kevin) (Entered: 09/28/2018)
09/28/2018	331 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Klinger, Marilyn. (Klinger, Marilyn) (Entered: 09/28/2018)
09/28/2018	332 (16 pgs)	Emergency motion *for Interim Order Authorizing Credit Card Program with City National Bank; Memorandum of Points and Authorities in Support Thereof; Declaration of Ty Conner in Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 09/28/2018)
09/28/2018	333 (2 pgs)	Statement *Regarding Cash Collateral or Debtor In Possession Financing [FRBP 4001; LBR 4001-2]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 09/28/2018)
09/28/2018	334 (21 pgs; 2 docs)	Motion to Expedite Hearing (related documents 332 Emergency motion) *for Interim Order Authorizing Credit Card Program with City National Bank* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A) (Moyron, Tania) (Entered: 09/28/2018)
09/28/2018	335 (1 pg)	Withdrawal of Claim(s): 12 Filed by Creditor San Jose Medical Group, Inc.. (Wolf, Neal) (Entered: 09/28/2018)
09/28/2018	336 (2 pgs)	Errata *Notice of Errata to Emergency Motion for Interim Order Authorizing Credit Card Program With City Natiional Bank; Memorandum of Points and Authorities in Support thereof; Declaration of Ty Conner In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)332 Emergency motion *for Interim Order Authorizing Credit Card Program with City National Bank; Memorandum of Points and*

		Authorities in Support Thereof; Declaration of Ty Conner in Support Thereof). (Moyron, Tania) (Entered: 09/28/2018)
09/28/2018	337 (4 pgs)	Stipulation By Attorney General For The State Of Ca and *Debtors for a Continuance of the Hearing re Motion to Reject Health System Management Agreement* Filed by Interested Party Attorney General For The State Of Ca (Berry, Alicia) (Entered: 09/28/2018)
09/28/2018	338 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Rowe, Megan. (Rowe, Megan) (Entered: 09/28/2018)
09/28/2018	339 (2 pgs)	Notice of Appearance and Request for Notice by Neal L Wolf Filed by Creditor San Jose Medical Group, Inc.. (Wolf, Neal) (Entered: 09/28/2018)
09/28/2018	340 (2 pgs)	Notice of Appearance and Request for Notice by Neal L Wolf Filed by Creditor Sports, Orthopedic and Rehabilitation Associates. (Wolf, Neal) (Entered: 09/28/2018)
09/28/2018	341 (4 pgs)	Order Granting Application And Setting Hearing On Shortened Notice re Motion for Interim Order Authorizing Credit Card Program With City National Bank (BNC-PDF) (Related Doc # 334) Signed on 9/28/2018. The Hearing date is set for 10/3/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/28/2018)
09/28/2018	342	Hearing Set (RE: related document(s)334 Motion for Interim Order Authorizing Credit Card Program With City National Bank filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 10/3/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 09/28/2018)
09/28/2018	343 (8 pgs; 2 docs)	Notice of Hearing *on Motion for Interim Order Authorizing Credit Card Program with City National Bank* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)332 Emergency motion *for Interim Order Authorizing Credit Card Program with City National Bank; Memorandum of Points and Authorities in Support Thereof; Declaration of Ty Conner in Support Thereof* Filed by Debtor Verity Health System of California, Inc.). (Attachments: # 1 Exhibit 1) (Moyron, Tania) (Entered: 09/28/2018)
09/28/2018	344 (3 pgs)	Notice of motion/application *Notice Of Application To Employ Dentons US LLP As Bankruptcy Counsel Nunc Pro Tunc To The Petition Date* Filed by Debtor Verity Health System of California, Inc.. (Maizel, Samuel) (Entered: 09/28/2018)
09/28/2018	345 (90 pgs; 3 docs)	Application to Employ Dentons US LLP as Bankruptcy Counsel *Debtors Application To Employ Dentons US LLP As Bankruptcy Counsel Nunc Pro Tunc To The Petition Date* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Declaration of Samuel Maizel # 2 Declaration of Richard Adcock) (Maizel, Samuel) (Entered: 09/28/2018)
09/29/2018	346 (45 pgs)	Application to Employ Cain Brothers, A Division Of Keybanc Capital Markets Inc. as Investment Banker To The Debtors Nunc Pro Tunc To The Petition Date *; Declaration Of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 09/29/2018)
09/29/2018	347 (3 pgs)	Notice Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)346 Application to Employ Cain Brothers, A Division Of

		Keybanc Capital Markets Inc. as Investment Banker To The Debtors Nunc Pro Tunc To The Petition Date *; Declaration Of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc.). (Maizel, Samuel) (Entered: 09/29/2018)
09/30/2018	348 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)341 Order on Motion to Expedite Hearing (BNC-PDF)) No. of Notices: 3. Notice Date 09/30/2018. (Admin.) (Entered: 09/30/2018)
10/01/2018	349 (2 pgs)	Creditor Request for Notices Filed by Interested Party Medical Staff of Seton Medical Center. (St James, Michael) (Entered: 10/01/2018)
10/01/2018	350 (3 pgs)	Reply to (related document(s): 29 Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors; Memorandum Of Points And Authorities In Support Thereof* filed by Debtor Verity Health System of California, Inc., 123 Hearing Held (Bk Motion), 314 Opposition filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) *Reply to the Official Committee of Unsecured Creditors' Objection to Debtors' Emergency Motion for Entry of an Order Authorizing Debtors to Honor Prepetition Obligations to Critical Vendors [Related Pleadings Nos. 29, 123, 314]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/01/2018)
10/01/2018	351 (4 pgs)	Reply to (related document(s): 315 Opposition filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) *Reply to Official Committee of Unsecured Creditors' Response to Employee Wages [Related Dkt. Nos. 22, 315]* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 10/01/2018)
10/01/2018	352	Request for courtesy Notice of Electronic Filing (NEF) Filed by Nahmias, Alan. (Nahmias, Alan) WARNING: Incorrect pdf attached. Modified on 10/24/2018 (Lomeli, Lydia R.). (Entered: 10/01/2018)
10/01/2018	353	Request for courtesy Notice of Electronic Filing (NEF) Filed by Biegenzahn, Stephen. (Biegenzahn, Stephen) WARNING: Incorrect pdf attached. Modified on 10/24/2018 (Lomeli, Lydia R.). (Entered: 10/01/2018)
10/01/2018	354 (3 pgs)	Reply to (related document(s): 29 Emergency motion *Debtors Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors; Memorandum Of Points And Authorities In Support Thereof* filed by Debtor Verity Health System of California, Inc., 123 Hearing Held (Bk Motion), 289 Objection filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee) *Reply to UMB Bank, N.A.'s Limited Objection to Debtors Emergency Motion for Entry of an Order Authorizing Debtors to Honor Prepetition Obligations to Critical Vendors [Related Pleadings Nos. 29, 123, 289]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/01/2018)
10/01/2018	355 (78 pgs; 3 docs)	Reply to (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Omnibus Supplemental Reply Of Debtors To The Objections To The Debtors Motion 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 Filed by Debtor Verity Health*

		System of California, Inc. (Attachments: # 1 Exhibit 1 # 2 Exhibit 2) (Maizel, Samuel) (Entered: 10/01/2018)
10/01/2018	356 (5 pgs)	Motion for Protective Order *Pursuant to 11 USC 107(c) and FRBP 9037* Filed by Interested Party Alan I Nahmias (Nahmias, Alan) (Entered: 10/01/2018)
10/01/2018	357 (5 pgs)	Reply to (related document(s): 313 Opposition filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) *Reply To Official Committee Of Unsecured Creditors Response To Cash Management Motion [Related Dkt. Nos. 23, 313]* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 10/01/2018)
10/01/2018	358 (8 pgs)	Certificate of Service *of Notice of Appearance* Filed by Creditor Smith & Nephew, Inc. (RE: related document(s)330 Notice of Appearance). (Eckhardt, Kevin) (Entered: 10/01/2018)
10/01/2018	359 (3 pgs)	Voluntary Dismissal of Motion Filed by Interested Party Alan I Nahmias (RE: related document(s)356 Motion for Protective Order *Pursuant to 11 USC 107(c) and FRBP 9037*). (Nahmias, Alan) (Entered: 10/01/2018)
10/01/2018	360 (5 pgs)	Motion to Redact (for Protective Order to Restrict Access to Filed Document Containing Personal Data Identifiers per LBR 9037-1(a)) . Fee Amount $25 Filed by Interested Party Alan I Nahmias (Nahmias, Alan) (Entered: 10/01/2018)
10/01/2018		Receipt of Motion to Redact (for Protective Order to Restrict Access Pers. ID (LBR Form F9037-1.1) (Fee)(2:18-bk-20151-ER) [motion,mredact] (25.00) Filing Fee. Receipt number 47801112. Fee amount 25.00. (re: Doc# 360) (U.S. Treasury) (Entered: 10/01/2018)
10/01/2018	361 (20 pgs; 6 docs)	Certificate of Service *Declaration of Service By Kurtzman Carson Consultants, LLC Regarding Docket Numbers 332, 333, 334, 336, 341, 343, 344 and 345* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)332 Emergency motion *for Interim Order Authorizing Credit Card Program with City National Bank; Memorandum of Points and Authorities in Support Thereof; Declaration of Ty Conner in Support Thereof*, 334 Motion to Expedite Hearing (related documents 332 Emergency motion) *for Interim Order Authorizing Credit Card Program with City National Bank*, 341 Order on Motion to Expedite Hearing (BNC-PDF)). (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E) (Moyron, Tania) (Entered: 10/01/2018)
10/01/2018	362 (2 pgs)	Declaration re: *of Tania M. Moyron on Telephonic Notice Given of Hearing on Motion for Interim Order Authorizing Credit Card Program with City National Bank* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)341 Order on Motion to Expedite Hearing (BNC-PDF)). (Moyron, Tania) (Entered: 10/01/2018)
10/01/2018	363 (25 pgs)	Motion *Debtors Notice Of Motion And Motion For Entry Of An Order Establishing Procedures For Monthly Payment Of Fees And Expense Reimbursement; Memorandum Of Points And Authorities; Declaration Of Elspeth Paul* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 10/01/2018)
10/01/2018	364 (30 pgs)	Motion *Notice Of Motion And Motion For An Order Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Elspeth Paul* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 10/01/2018)

10/01/2018	365 (131 pgs; 2 docs)	Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A) (Moyron, Tania) (Entered: 10/01/2018)
10/01/2018	366 (134 pgs; 2 docs)	Notice of sale of estate property (LBR 6004-2) Debtors, O'Connor Hospital and Saint Louis Regional Hospital Filed by Debtor Verity Health System of California, Inc.. (Attachments: # 1 Exhibit A) (Moyron, Tania) (Entered: 10/01/2018)
10/01/2018	367 (447 pgs; 19 docs)	Notice *COMBINED LIMITED RESPONSE OF U.S. BANK NATIONAL ASSOCIATION, AS SERIES 2015 NOTE TRUSTEE AND SERIES 2017 NOTE TRUSTEE, TO MASTER TRUSTEE AND SERIES 2005 TRUSTEES OBJECTION TO 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* Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (RE: related document(s)292 Objection (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (Attachments: # 1 Schedule A # 2 Exhibit A) (O'Brient, Abigail)). (Attachments: # 1 Appendix I # 2 Exhibit A # 3 Exhibit B # 4 Exhibit C # 5 Exhibit D # 6 Exhibit E # 7 Exhibit F # 8 Exhibit G # 9 Exhibit H # 10 Exhibit I # 11 Exhibit J # 12 Exhibit K # 13 Exhibit L # 14 Exhibit M # 15 Exhibit N # 16 Exhibit O # 17 Appendix II # 18 Proof of Service) (Strabo, Jason) (Entered: 10/01/2018)*
10/01/2018	368 (7 pgs)	Notice *RESERVATION OF RIGHTS OF VERITY MOB FINANCING LLC AND VERITY MOB FINANCING II LLC WITH RESPECT TO PROPOSED FINAL DIP ORDER With Proof of Service* Filed by Creditors Verity MOB Financing II LLC, Verity MOB Financing LLC (RE: related document(s)31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Anita Chou In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 292 Objection (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (Attachments: # 1 Schedule A # 2 Exhibit A) (O'Brient, Abigail)). (Bennett, Bruce) (Entered: 10/01/2018)*

10/02/2018	369 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Gubner, Steven. (Gubner, Steven) (Entered: 10/02/2018)
10/02/2018	370	Hearing Set (RE: related document(s)364 Motion For An Order Authorizing The Debtors To Retain And Compensate Professionals Utilized By TheDebtors In The Ordinary Course Of Business filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 10/02/2018)
10/02/2018	371	Hearing Set (RE: related document(s)365 Motion to Sale of Property of the Estate under Section 363(b) - No Fee filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 10/24/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/02/2018)
10/02/2018	372 (3 pgs)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Streusand, Sabrina. (Streusand, Sabrina) (Entered: 10/02/2018)
10/02/2018	373 (5 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *[LBR 2090-1(b)]* re DAVID E. LEMKE;Filed by Creditor ALLY BANK (Jurich, Lance) Modified on 10/15/2018 (Lomeli, Lydia R.). (Entered: 10/02/2018)
10/02/2018	374 (4 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *[LBR 2090-1(b)]* re MELISSA W. JONES Filed by Creditor ALLY BANK (Jurich, Lance) Modified on 10/15/2018 (Lomeli, Lydia R.). WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/02/2018)
10/02/2018	375 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Ngo, Bryan. (Ngo, Bryan) (Entered: 10/02/2018)
10/02/2018	376 (3 pgs)	Proof of service Filed by Creditor ALLY BANK (RE: related document(s)373 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *[LBR 2090-1(b)]*, 374 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *[LBR 2090-1(b)]*). (Jurich, Lance) (Entered: 10/02/2018)
10/02/2018	377 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Fletcher, Michael. (Fletcher, Michael) (Entered: 10/02/2018)
10/02/2018	378 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Warrington, Gerrick. (Warrington, Gerrick) (Entered: 10/02/2018)
10/02/2018	379 (3 pgs)	Order Granting Motion to Redact (for Protective Order to Restrict Access to Filed Document Containing Personal Data Identifiers per LBR 9037-1(a))re 360 (BNC-PDF) Signed on 10/2/2018 (Lomeli, Lydia R.) (Entered: 10/02/2018)
10/02/2018	380 (55 pgs)	Objection (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Supplemental Objection to Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc. Filed by Creditor UMB Bank, N.A., as master indenture*

		trustee and Wells Fargo Bank, National Association, as indenture trustee (O'Brient, Abigail) (Entered: 10/02/2018)
10/03/2018	381 (8 pgs)	Response to (related document(s): 249 Motion to Reject Lease or Executory Contract *Debtors' Notice of Motion and Motion to Reject, Pursuant to 11 U.S.C. Section 365(A), Professional Services Agreement and Development Agreement with Hunt Spine Institute, Inc. Nunc Pro Tunc to the Pet filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/03/2018)*
10/03/2018	382 (8 pgs)	Response to (related document(s): 254 Motion *Debtors' Notice of Motion and Motion to Reject Health System Management Agreement with Integrity Healthcare, LLC; Memorandum of Points and Authorities; Declaration of Richard G. Adcock* filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/03/2018)
10/03/2018	383 (5 pgs; 2 docs)	Request for special notice Filed by Creditor Delta Dental of California. (Attachments: # 1 Certificate of Service) (Wang, Phillip) (Entered: 10/03/2018)
10/03/2018	384 (4 pgs)	Hearing Held re [23 Emergency motion of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority for Post Petition Intercompany Claims; and (5) Obtain Related Relief (see ruling attached). Party to lodge order: Movant. Granted. (Lomeli, Lydia R.) Additional attachment(s) added on 10/3/2018 (Lomeli, Lydia R.). Modified on 10/3/2018 (Lomeli, Lydia R.). (Entered: 10/03/2018)
10/03/2018	385	Hearing Held re 22 E Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directing The Applicable Bank To Pay All Checks AndElectronic Payment Requests Made By The Debtors Relating To The Foregoing - UNDER SUBMISSION(Lomeli, Lydia R.) (Entered: 10/03/2018)
10/03/2018	386 (4 pgs)	Hearing Held re 29 Debtors Emergency Motion For Entry Of An Order Authorizing DebtorsTo Honor Prepetition Obligations To Critical Vendors (see ruling attached). GRANTED. Party to lodge order: Movant (Lomeli, Lydia R.) Additional attachment(s) added on 10/3/2018 (Lomeli, Lydia R.). (Entered: 10/03/2018)
10/03/2018	387	Hearing Held re 108 Motion to Shorten to October 15, 2018, Debtor's Time to Assume or Reject Healthcare Services Risk Sharing Agreement - Tentative is STRICKEN. Parties to lodge a stipulated order. (Lomeli, Lydia R.) (Entered: 10/03/2018)
10/03/2018	388 (3 pgs)	Hearing Held (RE: related document(s)334 Motion to Expedite Hearing filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Grant. A final hearing on the Motion shall take place on October 24, 2018, at 11:00 a.m.. Party to lodge order: Movant (Lomeli, Lydia R.) (Entered: 10/03/2018)
10/03/2018	389 (22 pgs)	Appointment of Health Care Ombudsman, J. Nathan Rubin Filed by U.S. Trustee United States Trustee (LA). (united states trustee (hy)) (Entered:

		10/03/2018)
10/03/2018	390 (12 pgs)	Application *for Order Approving the Appointment of Patient Care Ombudsman* Filed by U.S. Trustee United States Trustee (LA) (Yip, Hatty) (Entered: 10/03/2018)
10/03/2018	391 (7 pgs)	Notice of lodgment *of Order* Filed by U.S. Trustee United States Trustee (LA) (RE: related document(s)390 Application *for Order Approving the Appointment of Patient Care Ombudsman*). (Yip, Hatty) (Entered: 10/03/2018)
10/03/2018	392 (16 pgs)	Hearing Held re 31 Emergency motion Emergency Motion Of Debtors For Interim And Final Orders (A) Authorizing The Debtors To Obtain Post Petition Financing (B) Authorizing The Debtors To Use Cash Collateral And (C) Granting Adequate Protection To Pre petition Secured Creditors Pursuant To 11 U.S.C. §§ 105, 363, 364, 1107 And 1108 (see ruling attached). Motion is GRANTED in its entirety. (Amended after hearing in RED to increase the Committees budget to investigate the validity of secured creditors liens from $100,000 to $250,000.)Party to lodge order: Movant. (Lomeli, Lydia R.) Additional attachment(s) added on 10/3/2018 (Lomeli, Lydia R.). (Entered: 10/03/2018)
10/03/2018	393 (4 pgs)	Declaration re: *Declaration Of Richard G. Adcock In Support Of Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use,). (Maizel, Samuel) (Entered: 10/03/2018)*
10/03/2018	394 (5 pgs)	Declaration re: *Declaration Of James Maloney In Support Of Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use,). (Maizel, Samuel) (Entered: 10/03/2018)*
10/03/2018	395 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Kim, Monica. (Kim, Monica) (Entered: 10/03/2018)
10/03/2018	396 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Bender, Ron. (Bender, Ron) (Entered: 10/03/2018)

10/03/2018	397 (7 pgs)	Notice of lodgment *of Order* Filed by U.S. Trustee United States Trustee (LA) (RE: related document(s)390 Application *for Order Approving the Appointment of Patient Care Ombudsman* Filed by U.S. Trustee United States Trustee (LA)). (Yip, Hatty) (Entered: 10/03/2018)
10/03/2018	398 (147 pgs; 5 docs)	Objection (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc., 392 Hearing Held (Bk Motion)) (Objection to Debtors Proposed Form of Order) Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D) (O'Brient, Abigail) (Entered: 10/03/2018)*
10/03/2018	399	Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tunc; Memorandum of Points and Authorities; Declaration* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E (part 1) # 6 Exhibit E (part 2) # 7 Exhibit F # 8 Exhibit G (part 1) # 9 Exhibit G (part 2)) (Moyron, Tania) (Entered: 10/03/2018)
10/03/2018	400 (99 pgs; 3 docs)	Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with Sports, Orthopedic and Rehabilitation Associates (SOAR) and Related Executory Contracts and Unexpired Leases Nunc Pro Tunc; Memorandum of Points and Authorities; Declaration* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A # 2 Exhibit B) (Moyron, Tania) (Entered: 10/03/2018)
10/04/2018	401 (9 pgs)	*Response to (related document(s): 31 Emergency motion Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Response to Objection [Docket No. 398] Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Strabo, Jason) (Entered: 10/04/2018)*
10/04/2018	402 (7 pgs)	Response to (related document(s): 31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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 Cre filed by Debtor Verity Health System of California, Inc.) Filed by Creditors Verity MOB Financing II LLC, Verity MOB Financing LLC (Bennett, Bruce) (Entered: 10/04/2018)*
10/04/2018	403	Hearing Set (RE: related document(s)399 Motion to Reject Lease or Executory Contract filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 10/24/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/04/2018)
10/04/2018	404	Hearing Set (RE: related document(s)400 Motion to Reject Lease or Executory Contract filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 10/24/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/04/2018)

10/04/2018	405 (1 pg)	Transcript Order Form, regarding Hearing Date 10/03/18 Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee. (O'Brient, Abigail) (Entered: 10/04/2018)
10/04/2018	406 (47 pgs; 2 docs)	Notice *of Filing of Exhibit Designated at Hearing on Motion of Debtors for Interim and Final Orders (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. Sections 105, 363, 364, 1107 and 1108* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)31 Emergency motion *Emergency Motion Of Debtors For Interim And Final Orders (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; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Anita Chou In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A) filed by Debtor Verity Health System of California, Inc.). (Attachments: # 1 Exhibit 1)(Moyron, Tania) (Entered: 10/04/2018)
10/04/2018	407	Transcript Record Transmittal (Court transcript records have been uploaded to FDS). For Order Number: 18-ER-18. RE Hearing Date: 10/03/2018, [TRANSCRIPTION SERVICE PROVIDER: Echo Reporting, Inc., Telephone number (858) 453-7590.] (RE: related document(s)405 Transcript Order Form (Public Request) filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee) (Lomeli, Lydia R.) (Entered: 10/04/2018)
10/04/2018	408 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Andrassy, Kyra. (Andrassy, Kyra) (Entered: 10/04/2018)
10/04/2018	409 (42 pgs)	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 (BNC-PDF) (Related Doc # 31) Signed on 10/4/2018 (Lomeli, Lydia R.) (Entered: 10/04/2018)
10/04/2018	410 (190 pgs; 7 docs)	Motion to approve compromise */ Debtors' Notice of Motion and Motion for Entry of an Order Pursuant to 11 U.S.C. §§ 363 and 105 and Fed. R. Bankr. P. 9019 Authorizing Entry Into New Collective Bargaining Agreements With International Union of Operating Engineers, Stationary Engineers, Local 39; Memorandum of Points and Authorities; Declaration* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 # 4 Exhibit 4 # 5 Exhibit 5 # 6 Exhibit 6) (Moyron, Tania) (Entered: 10/04/2018)
10/04/2018	411 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)379 Order on Motion to Redact (for Protective Order to Restrict Access Pers. ID (LBR Form F9037-1.1) (Fee) (BNC-PDF)) No. of Notices: 3. Notice Date 10/04/2018. (Admin.) (Entered: 10/04/2018)
10/05/2018	412	Hearing Set (RE: related document(s)410 Motion to approve compromise filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 11/6/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/05/2018)
10/05/2018	413 (7 pgs)	Notice of Appearance and Request for Notice by Paul J Pascuzzi Filed by Creditor Toyon Associates, Inc.. (Pascuzzi, Paul) (Entered: 10/05/2018)

10/05/2018	414 (3 pgs)	Order Authorizing Credit Card Program With City National Bank. The Final Hearing on the Motion will be held on October 24, 2018, at 10:00 a.m. (BNC-PDF) (Related Doc # 332) Signed on 10/5/2018 (Lomeli, Lydia R.) (Entered: 10/05/2018)
10/05/2018	415 (2 pgs)	Notice of continued meeting of creditors and appearance of debtor (11 USC 341(a)) Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 10/05/2018)
10/05/2018	416 (14 pgs; 3 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 204, 208, 212, 224-227, 240, 241, 243, 244, 256, 282 and 285-288* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)208 Stipulation and ORDER thereon (BNC-PDF), 240 Stipulation and ORDER thereon (BNC-PDF), 241 Stipulation and ORDER thereon (BNC-PDF), 243 Stipulation and ORDER thereon (BNC-PDF), 244 Stipulation and ORDER thereon (BNC-PDF), 256 Notice, 282 Stipulation and ORDER thereon (BNC-PDF), 285 Stipulation and ORDER thereon (BNC-PDF), 286 Stipulation and ORDER thereon (BNC-PDF), 287 Stipulation and ORDER thereon (BNC-PDF), 288 Stipulation and ORDER thereon (BNC-PDF)). (Attachments: # 1 Exhibit A # 2 Exhibit B) (Moyron, Tania) (Entered: 10/05/2018)
10/05/2018	417 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 309 and 310* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)309 Reply, 310 Reply). (Maizel, Samuel) (Entered: 10/05/2018)
10/05/2018	418 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Notice of Errata to Omnibus Reply of Debtors' to The Objections to The Debtors' Motion 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. Sections 105, 363, 364, 1107 and 1108* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)319 Errata). (Maizel, Samuel) (Entered: 10/05/2018)
10/05/2018	419 (7 pgs)	Notice of Appearance and Request for Notice by Sara Chenetz Filed by Creditor Quadramed Affinity Corporation and Picis Clinical Solutions Inc.. (Chenetz, Sara) (Entered: 10/05/2018)
10/05/2018	420 (3 pgs)	Notice of Appearance and Request for Notice by Lance N Jurich, David E Lemke Filed by Creditor ALLY BANK. (Lemke, David) (Entered: 10/05/2018)
10/05/2018	421 (27 pgs)	Application to Employ Pachulski Stang Ziehl & Jones LLP as Co-Counsel for the Debtors Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/05/2018)
10/05/2018	422 (3 pgs)	Notice of motion/application Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)421 Application to Employ Pachulski Stang Ziehl & Jones LLP as Co-Counsel for the Debtors Filed by Debtor Verity Health System of California, Inc. filed by Debtor Verity Health System of California, Inc.). (Moyron, Tania) (Entered: 10/05/2018)
10/05/2018	423 (55 pgs)	Application to Employ Nelson Hardiman LLP as Special Healthcare Regulatory Counsel Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/05/2018)
10/05/2018	424 (3 pgs)	Notice Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)423 Application to Employ Nelson Hardiman LLP as Special Healthcare Regulatory Counsel Filed by Debtor Verity Health System of

		California, Inc. filed by Debtor Verity Health System of California, Inc.). (Moyron, Tania) (Entered: 10/05/2018)
10/06/2018	425 (46 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)409 Order on Motion to Use Cash Collateral (BNC-PDF)) No. of Notices: 3. Notice Date 10/06/2018. (Admin.) (Entered: 10/06/2018)
10/07/2018	426 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)414 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 10/07/2018. (Admin.) (Entered: 10/07/2018)
10/08/2018	427 (3 pgs)	Notice *of Appearance and Request for Special Notice* Filed by Creditor Healthcare Transformation Inc.. (Houston, Marsha) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/08/2018)
10/08/2018	428 (95 pgs)	Transcript regarding Hearing Held 10/03/18 RE: Emergency motion of debtors for interim and final orders. Remote electronic access to the transcript is restricted until 01/7/2019. The transcript may be viewed at the Bankruptcy Court Clerk's Office on a public terminal **or** purchased through the Transcription Service Provider before the transcript access restriction has ended. [TRANSCRIPTION SERVICE PROVIDER: Echo Reporting, Inc., Telephone number (858) 453-7590.]. Notice of Intent to Request Redaction Deadline Due By 10/15/2018. Redaction Request Due By 10/29/2018. Redacted Transcript Submission Due By 11/8/2018. Transcript access will be restricted through 01/7/2019. (Bauer, Tara) (Entered: 10/08/2018)
10/09/2018	429	Continuance of Meeting of Creditors (Rule 2003(e)) Filed by U.S. Trustee United States Trustee (LA). 341(a) Meeting Continued to 10/22/2018 at 09:30 AM at St. Vincent's Hospital, Seton Auditorium, 2131 West Third Street, Los Angeles, CA 90057. (united states trustee (hy)) (Entered: 10/09/2018)
10/09/2018	430 (2 pgs)	Order Approving the United States Trustee's Application For Order Approving The Appointment Of Patient Care Ombudsman. Dr. Jacob Nathan Rubin is appointed as the Patient Care Ombudsman. (BNC-PDF) (Related Doc # 390) Signed on 10/9/2018 (Lomeli, Lydia R.) (Entered: 10/09/2018)
10/09/2018	431 (9 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *the Debtors* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/09/2018)
10/09/2018	432 (8 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *the Debtors Extending Deadline for Official Committee of Unsecured Creditors to File Opposition to Motion to Retain and Compensate Ordinary Course Professionals* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/09/2018)
10/09/2018	433 (2 pgs)	Order Rescheduling Hearing On 'Motion For Order Compelling O'connor Hospital To Assume Or Reject Affiliation Agreement' [Doc. No. 302] From October 24, 2018 At 11:00 A.M. To October 24, 2018 At 10:00 A.M., To Take Place Concurrently With Hearings On Related Motions (BNC-PDF) (Related Doc # doc) Signed on 10/9/2018 (Lomeli, Lydia R.) (Entered: 10/09/2018)
10/09/2018	434 (2 pgs)	Order Approving Stipulation Extending Deadline For Official Committee Of Unsecured Creditors To File Opposition To Motion To Retain And Compensate Ordinary Course Professionals (BNC-PDF) (Related Doc # 432) Signed on 10/9/2018 (Lomeli, Lydia R.) (Entered: 10/09/2018)

10/09/2018	435 (2 pgs)	Order Approving Stipulation Extending Deadline For Official Committee Of Unsecured Creditors To File Opposition To Sale Motion (BNC-PDF) (Related Doc # 431) Signed on 10/9/2018 (Lomeli, Lydia R.) (Entered: 10/09/2018)
10/09/2018	436 (3 pgs)	Final Order Granting Debtors' Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors (BNC-PDF) (Related Doc # 29) Signed on 10/9/2018 (Lomeli, Lydia R.) (Entered: 10/09/2018)
10/10/2018	437 (11 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Limited Objection of the Federal Communications Commission to Debtors' Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders to Use, etc. (with Proof of Service) Filed by Creditor Federal Communications Commission (Levey, Elan) (Entered: 10/10/2018)*
10/10/2018	438 (10 pgs)	Notice *of Filing of Resolution of Board of Supervisors of County of San Mateo Regarding Seton Medical Center* Filed by Creditor County of San Mateo. (Benvenutti, Peter) (Entered: 10/10/2018)
10/10/2018	439 (14 pgs; 2 docs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Pension Benefit Guaranty Corporation (Attachments: # 1 Proof of Service) (Butler, Damarr) (Entered: 10/10/2018)*
10/10/2018	440 (3 pgs)	Request for special notice - *Notice of Appearance and Demand for Service* Filed by Creditor Sharp Electronics Corporation. (Crapo, David) (Entered: 10/10/2018)
10/10/2018	441 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Verity MOB Financing LLC and Verity MOB Financing II LLC; Stipulation Extending Deadline to File Opposition to Sale Motion* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/10/2018)
10/10/2018	442 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Epstein, Andy. (Epstein, Andy) (Entered: 10/10/2018)
10/10/2018	443 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Sports Orthopedic and Rehabilitation Associates; Stipulation Extending Deadline For Sports, Orthopedic And Rehabilitation Associates To File Objection To Motion To Reject Executory Contracts* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 10/10/2018)
10/10/2018	444 (6 pgs)	Response to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) / Reservation of Rights of Premier, Inc. and Its Subsidiaries in Relation to the Debtors Motion for Approval of Bidding Procedures and the Sale of OConnor Hospital, Saint Louise Regional Hospital and Related Assets Filed by Creditor Premier, Inc. (Mortimer, Marianne) (Entered: 10/10/2018)*

10/10/2018	445 (14 pgs; 2 docs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (Attachments: # 1 Proof of Service) (Rathbone, William) (Entered: 10/10/2018)*
10/10/2018	446 (5 pgs)	Notice of Appearance and Request for Notice by Paul R. Glassman Filed by Creditor Long Beach Memorial Medical Center. (Glassman, Paul) (Entered: 10/10/2018)
10/10/2018	447 (18 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Objection of the U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services to Debtor's Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders to Use, etc. (with Proof of Service) Filed by Creditor United States Department of Health and Human Services (Levey, Elan) (Entered: 10/10/2018)*
10/10/2018	448 (10 pgs; 2 docs)	Objection (related document(s): 399 Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tu filed by Debtor Verity Health System of California, Inc.) Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (Attachments: # 1 Proof of Service) (Rathbone, William) (Entered: 10/10/2018)*
10/10/2018	449 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *UMB Bank N.A. as Successor Master Trustee for the Master Indenture Obligations and Wells Fargo Bank, National Association, as Series 2005 Bond Trustee and U.S. Bank National Association, as Series 2015 Note Collateral Agent and Note Trustee and U.S. Bank National Association, as Series 2017 Note Collateral Agent and Note Trustee; Stipulation Extending Deadline to File Opposition to Sale Motion* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/10/2018)
10/10/2018	450 (31 pgs; 2 docs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Creditor SEIU United Healthcare Workers - West (Attachments: # 1 Exhibit 1) (Rich, Emily) (Entered: 10/10/2018)*
10/10/2018	451 (2 pgs)	Request for special notice Filed by Creditor OCH Forest 1, General Partner of O'Connor Health Center 1, a limited partnership. (Kuhner, Chris) (Entered: 10/10/2018)
10/10/2018	452 (8 pgs)	Opposition to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Creditor*

		OCH Forest 1, General Partner of O'Connor Health Center 1, a limited partnership (Kuhner, Chris) (Entered: 10/10/2018)
10/10/2018	453 (260 pgs; 3 docs)	Declaration re: *Declaration of David Miller iso SEIU-UHW's Objection to Motion ofr Sale* Filed by Creditor SEIU United Healthcare Workers - West (RE: related document(s)450 Objection). (Attachments: # 1 Exhibit A # 2 Exhibit B) (Rich, Emily) (Entered: 10/10/2018)
10/10/2018	454 (8 pgs)	Response to (related document(s): 302 Motion *for Order Compelling O'Connor Hospital to Assume or Reject Affiliation Agreement; Memorandum of Points and Authorities; Declaration of Ann Dohn* filed by Creditor Stanford Health Care) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/10/2018)
10/10/2018	455 (34 pgs)	Opposition to (related document(s): 302 Motion *for Order Compelling O'Connor Hospital to Assume or Reject Affiliation Agreement; Memorandum of Points and Authorities; Declaration of Ann Dohn* filed by Creditor Stanford Health Care) *Debtors Opposition To Motion Of Stanford Health Care To Assume Or Reject Health Services Affiliation Agreement On An Expedited Basis; Memorandum Of Points And Authorities; Declaration Of Carl James* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/10/2018)
10/10/2018	456 (262 pgs; 8 docs)	Declaration re: *Charles Toeniskoetter in Support of Conditional Opposition to Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders to Use, (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections, (3) Approving Form of Notice to be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of all Claims, Liens and Encumbrances; Memorandum of Points and Authorities in Support Thereof* Filed by Creditor OCH Forest 1, General Partner of O'Connor Health Center 1, a limited partnership (RE: related document(s)452 Opposition). (Attachments: # 1 Exhibit A1 # 2 Exhibit A2 # 3 Exhibit B # 4 Exhibit C # 5 Exhibit D # 6 Exhibit E # 7 Exhibit F) (Kuhner, Chris) (Entered: 10/10/2018)
10/10/2018	457 (8 pgs)	Response to (related document(s): 399 Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tu filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/10/2018)*
10/10/2018	458 (11 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Stationary Engineers Local 39 (Rich, Emily) (Entered: 10/10/2018)*
10/10/2018	459 (8 pgs)	Response to (related document(s): 400 Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with Sports, Orthopedic and Rehabilitation Associates (SOAR) and Related Executory Contracts and filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/10/2018)*

10/10/2018	460 (8 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Limited Objection Filed by Creditor Retirement Plan for Hospital Employees (Lapping, Richard) (Entered: 10/10/2018)*
10/10/2018	461 (2 pgs)	Request for special notice Filed by Creditor O'Connor Health Center 1, a California Limited Partnership . (Lomeli, Lydia R.) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). re PHILLIP G. VERMONT. Modified on 11/19/2018 (Lomeli, Lydia R.). (Entered: 10/10/2018)
10/10/2018	462 (29 pgs; 3 docs)	Opposition to (related document(s): 399 Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tu filed by Debtor Verity Health System of California, Inc.) Filed by Creditor California Physicians' Service dba Blue Shield of California (Attachments: # 1 Declaration of Edward David in Support of Opposition # 2 Declaration of Sandy Sedo in support of Opposition) (Reynolds, Michael) (Entered: 10/10/2018)*
10/10/2018	463 (21 pgs; 2 docs)	Response to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Interested Party Xavier Becerra, Attorney General of California (Attachments: # 1 Exhibit A) (Berry, Alicia) (Entered: 10/10/2018)*
10/10/2018	464 (6 pgs)	Motion to Appear pro hac vice *of Benjamin Rosenblum* Filed by Creditors Verity MOB Financing II LLC, Verity MOB Financing LLC (Bennett, Bruce) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/10/2018)
10/10/2018	465 (273 pgs; 7 docs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Creditor California Nurses Association (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 # 4 Exhibit 4 # 5 Exhibit 5 # 6 Certificate of Service) (Skogstad, Kyrsten) (Entered: 10/10/2018)*
10/10/2018	466 (1 pg)	Notice of Change of Address Filed by Creditor Sodexo, Inc. . (Lomeli, Lydia R.) (Entered: 10/10/2018)
10/10/2018	467 (9 pgs; 2 docs)	Opposition to (related document(s): 399 Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tu filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Health Net of California, Inc. (Attachments: # 1 Proof of Service) (Bautista, Cristina) (Entered: 10/10/2018)*
10/10/2018	468 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Stipulation Extending Deadline For Southeast Medical Center, Llc And Slauson Associates*

		Of Huntington Park, Llc To File Objection To Motion To Reject Executory Contracts And Unexpired Lease Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) WARNING: See entry 469 for corrective entry. Attorney to lodge order via LOU. Modified on 10/11/2018 (Lomeli, Lydia R.). (Entered: 10/10/2018)
10/11/2018	469	Notice to Filer of Error and/or Deficient Document **Other -** WARNING: Attorney to lodge order via LOU. (RE: related document(s)468 Stipulation filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 10/11/2018)
10/11/2018	470 (2 pgs)	Notice of Appearance and Request for Notice Filed by Creditor Sodexo, Inc. . (Lomeli, Lydia R.) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/11/2018)
10/11/2018	471 (5 pgs)	Certificate of Service Filed by Creditor OCH Forest 1, General Partner of O'Connor Health Center 1, a limited partnership (RE: related document(s)452 Opposition, 456 Declaration). (Kuhner, Chris) (Entered: 10/11/2018)
10/11/2018	472 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Poitras, David. (Poitras, David) (Entered: 10/11/2018)
10/11/2018	473 (3 pgs)	Motion for Protective Order *Debtors Motion For Protective Order Pursuant To 11 U.S.C. § 107(B)(1), FRBP 9037(D) And LBR 9037-1 To Restrict Access To Filed Documents Containing Potentially Proprietary And Confidential Information* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) WARNING: See entry 550 for corrective entry. Attorney to re-file using correct event code: 'Redact (for Protective Order to Restrict Access Pers. ID (LBR Form F9037-1.1) (Fee) (motion)' Modified on 10/17/2018 (Lomeli, Lydia R.). (Entered: 10/11/2018)
10/11/2018	474 (6 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)430 Order on Generic Application (BNC-PDF)) No. of Notices: 3. Notice Date 10/11/2018. (Admin.) (Entered: 10/11/2018)
10/11/2018	475 (6 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)433 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 10/11/2018. (Admin.) (Entered: 10/11/2018)
10/11/2018	476 (6 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)434 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/11/2018. (Admin.) (Entered: 10/11/2018)
10/11/2018	477 (6 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)435 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/11/2018. (Admin.) (Entered: 10/11/2018)
10/11/2018	478 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)436 Order on Motion to Amend Application (BNC-PDF)) No. of Notices: 3. Notice Date 10/11/2018. (Admin.) (Entered: 10/11/2018)
10/12/2018	479 (4 pgs)	Declaration re: *Supplemental Declaration Of James Moloney In Support Of Debtors Application For Entry Of An Order Authorizing Employment Of Cain Brothers, A Division Of Keybanc Capital Markets Inc., As Investment Banker To The Debtors Nunc Pro Tunc To The Petition Date* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)346 Application to Employ Cain Brothers, A Division Of Keybanc Capital Markets Inc. as Investment Banker To The Debtors Nunc Pro Tunc To The Petition Date *; Declaration Of James Moloney In Support Thereof*). (Maizel, Samuel) (Entered: 10/12/2018)

10/12/2018	480 (2 pgs)	Order Approving Stipulation Extending Deadline To File Objection To Motion To Reject Executory Contracts (BNC-PDF) (Related Doc # 443) Signed on 10/12/2018 (Lomeli, Lydia R.) (Entered: 10/12/2018)
10/12/2018	481 (2 pgs)	Order Approving Stipulation Extending Deadline To File Opposition To Sale Motion (BNC-PDF) (Related Doc # 441) Signed on 10/12/2018 (Lomeli, Lydia R.) (Entered: 10/12/2018)
10/12/2018	482 (2 pgs)	Order Approving Stipulation Extending Deadline To File Objection To Motion To Reject Executory Contracts And Unexpired Lease (BNC-PDF) (Related Doc # 468) Signed on 10/12/2018 (Lomeli, Lydia R.) (Entered: 10/12/2018)
10/12/2018	483 (63 pgs)	Application to Employ Levene, Neale, Bender, Yoo & Brill L.L.P. as Bankruptcy Counsel *[Application Of Patient Care Ombudsman To Employ Levene, Neale, Bender, Yoo & Brill L.L.P. As Bankruptcy Counsel Effective As Of October 1, 2018; Declaration In Support Thereof (POS Attached)]*- Filed by Health Care Ombudsman J. Nathan Ruben (Bender, Ron) (Entered: 10/12/2018)
10/12/2018	484 (23 pgs)	Application to Employ Dr. Tim Stacy DNP, ACNP-BC as Consultant - *[Application Of Patient Care Ombudsman To Employ Dr. Tim Stacy DNP, ACNP-Bc As Consultant Effective As Of October 1, 2018; Declaration In Support Thereof (POS Attached)]*- Filed by Health Care Ombudsman Jacob Nathan Rubin (Bender, Ron) (Entered: 10/12/2018)
10/12/2018	485 (2 pgs)	Notice of Appearance and Request for Notice by Jane Kim Filed by Creditor County of San Mateo. (Kim, Jane) (Entered: 10/12/2018)
10/12/2018	486	Hearing Set (RE: related document(s)483 Application to Employ filed by Health Care Ombudsman J. Nathan Ruben) The Hearing date is set for 11/7/2018 at 11:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/12/2018)
10/12/2018	487	Hearing Set (RE: related document(s)484 Application to Employ filed by Health Care Ombudsman Jacob Nathan Rubin) The Hearing date is set for 11/7/2018 at 11:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/12/2018)
10/12/2018	488 (8 pgs)	Notice *of Intent to Enforce Mechanic's Lien Pursuant to 11 U.S.C. § 546(b) Against Real Property Owned by St. Vincent Medical Center Located at 2131 West 3rd St., Los Angeles, CA 90057 with Proof of Service* Filed by Creditor MGH Painting, Inc.. (Andrassy, Kyra) (Entered: 10/12/2018)
10/12/2018	489 (2 pgs)	Declaration re: *Supplemental Declaration Of Samuel Maizel In Support Of Debtors Application To Employ Dentons US LLP As Bankruptcy Counsel Nunc Pro Tunc To The Petition Date* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)345 Application to Employ Dentons US LLP as Bankruptcy Counsel *Debtors Application To Employ Dentons US LLP As Bankruptcy Counsel Nunc Pro Tunc To The Petition Date*). (Maizel, Samuel) (Entered: 10/12/2018)
10/12/2018	490 (16 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee*

		Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/12/2018)
10/12/2018	491 (17 pgs)	Declaration re: *Declaration of Cynthia A. Nelson in Support of Official Committee of Unsecured Creditors' Limited Objection to Debtors' Sale Motion* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)490 Objection). (Behrens, James) (Entered: 10/12/2018)
10/12/2018	492 (5 pgs)	Notice of Appearance and Request for Notice by Michael Hogue Filed by Creditor Workday, Inc.. (Hogue, Michael) (Entered: 10/12/2018)
10/12/2018	493 (25 pgs)	Application to Employ Berkeley Research Group, LLC as Financial Advisor *Debtors Application For Entry Of An Order Authorizing Employment Of Berkeley Research Group, LLC As Financial Advisor To The Debtors Nunc Pro Tunc To The Petition Date; Declaration Of Peter C. Chadwick In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/12/2018)
10/12/2018	494 (11 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *by John R. O'Keefe, Jr., with Proof of Service* Filed by Creditor The Huntington National Bank (Camhi, Howard) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/12/2018)
10/12/2018	495 (10 pgs)	Notice of Appearance and Request for Notice by Brian D Huben Filed by Creditor Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC. (Huben, Brian) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/12/2018)
10/12/2018	496 (15 pgs)	Objection (related document(s): 399 Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tu filed by Debtor Verity Health System of California, Inc.) Limited Objection of Landlord Creditor Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC to Debtor Filed by Creditor Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC (Huben, Brian) (Entered: 10/12/2018)*
10/12/2018	497 (68 pgs; 2 docs)	Declaration re: *Declaration of Samuel Rotenberg, M.D. in Support of Limited Objection of Landlord Creditors Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC to Debtor's Motion to Reject, Pursuant to 11 U.S.C. § 365(A), Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tunc; Memorandum of Points and Authorities* Filed by Creditor Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC (RE: related document(s)496 Objection). (Attachments: # 1 Exhibit 1) (Huben, Brian) (Entered: 10/12/2018)
10/12/2018	498 (3 pgs)	Notice *of Debtors Application For Entry of an Order Authorizing Employment of Berkeley Research Group, LLC as Financial Advisor To The Debtors* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)493 Application to Employ Berkeley Research Group, LLC as Financial Advisor *Debtors Application For Entry Of An Order Authorizing Employment Of Berkeley Research Group, LLC As Financial Advisor To The Debtors Nunc Pro Tunc To The Petition Date; Declaration Of Peter C. Chadwick In Support Thereof* Filed by Debtor Verity Health System of California, Inc.). (Moyron, Tania) (Entered: 10/12/2018)

10/12/2018	499 (13 pgs)	Errata *To Debtors Application For Entry of an Order Authorizing Employment of Berkeley Research Group, LLC As Financial Advisor To The Debtors* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)493 Application to Employ Berkeley Research Group, LLC as Financial Advisor *Debtors Application For Entry Of An Order Authorizing Employment Of Berkeley Research Group, LLC As Financial Advisor To The Debtors Nunc Pro Tunc To The Petition Date; Declarati). (Moyron, Tania) (Entered: 10/12/2018)*
10/12/2018	500 (10 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Verity MOB Financing LLC and Verity MOB Financing II LLC's limited objection and reservation of rights Debtors Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders to Use, (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections, (3) Approving Form of Notice to be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances Filed by Creditors Verity MOB Financing II LLC, Verity MOB Financing LLC (Bennett, Bruce) (Entered: 10/12/2018)*
10/14/2018	501 (6 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)480 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/14/2018. (Admin.) (Entered: 10/14/2018)
10/14/2018	502 (6 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)481 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/14/2018. (Admin.) (Entered: 10/14/2018)
10/14/2018	503 (6 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)482 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/14/2018. (Admin.) (Entered: 10/14/2018)
10/15/2018	504 (20 pgs)	Notice of motion/application -*[Notice Of Applications Of Patient Care Ombudsman To Employ (A) Levene, Neale, Bender, Yoo & Brill L.L.P. As Bankruptcy Counsel Effective As Of October 1, 2018; And (B) Dr. Tim Stacy DNP, ACNP-Bc As Consultant Effective As Of October 3, 2018 (POS Attached)]*- Filed by Health Care Ombudsman Jacob Nathan Rubin (RE: related document(s)483 Application to Employ Levene, Neale, Bender, Yoo & Brill L.L.P. as Bankruptcy Counsel *[Application Of Patient Care Ombudsman To Employ Levene, Neale, Bender, Yoo & Brill L.L.P. As Bankruptcy Counsel Effective As Of October 1, 2018; Declaration In Support Thereof (POS Attached)]*- Filed by Health Care Ombudsman J. Nathan Ruben, 484 Application to Employ Dr. Tim Stacy DNP, ACNP-BC as Consultant - *[Application Of Patient Care Ombudsman To Employ Dr. Tim Stacy DNP, ACNP-Bc As Consultant Effective As Of October 1, 2018; Declaration In Support Thereof (POS Attached)]*- Filed by Health Care Ombudsman Jacob Nathan Rubin). (Kim, Monica) (Entered: 10/15/2018)
10/15/2018	505 (3 pgs)	Motion */Supplement To Motion For Entry of an Order Establishing Procedures For Monthly Payment of Fees and Expense Reimbursement* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/15/2018)
10/15/2018	506	Notice of motion and motion for relief from the automatic stay with supporting

	(17 pgs)	declarations PERSONAL PROPERTY RE: License Bonds . Fee Amount $181, Filed by Attorney Hartford Fire Insurance Company (Klinger, Marilyn) (Entered: 10/15/2018)
10/15/2018	507 (35 pgs; 2 docs)	Notice of motion and motion for relief from the automatic stay with supporting declarations PERSONAL PROPERTY RE: License Bonds . Fee Amount $181, Filed by Attorney Hartford Fire Insurance Company (Attachments: # 1 Proposed Order) (Klinger, Marilyn) WARNING: See entry 512 for corrective entry. Attorney to re-file using correct event code: 'Memorandum of points and authorities' Modified on 10/15/2018 (Lomeli, Lydia R.). (Entered: 10/15/2018)
10/15/2018		Receipt of Motion for Relief from Stay - Personal Property(2:18-bk-20151-ER) [motion,nmpp] (181.00) Filing Fee. Receipt number 47875895. Fee amount 181.00. (re: Doc# 506) (U.S. Treasury) (Entered: 10/15/2018)
10/15/2018		Receipt of Motion for Relief from Stay - Personal Property(2:18-bk-20151-ER) [motion,nmpp] (181.00) Filing Fee. Receipt number 47875895. Fee amount 181.00. (re: Doc# 507) (U.S. Treasury) (Entered: 10/15/2018)
10/15/2018	508 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Ordubegian, Aram. (Ordubegian, Aram) (Entered: 10/15/2018)
10/15/2018	509 (3 pgs)	Order (A) Approving Stipulation Continuing The Hearing Date, (B) Extending Deadlines For Objections And Reply On Debtors' Motion To Reject Health System Management Agreement With Integrity Healthcare, LLC. Continued to November 7, 2018 at 10:00 a.m. (BNC-PDF) (Related Doc # 254) Signed on 10/15/2018 (Lomeli, Lydia R.) (Entered: 10/15/2018)
10/15/2018	510 (4 pgs)	Order Granting Motion To Appear pro hac vice re Benjamin Rosenblum (BNC-PDF) (Related Doc # 464) Signed on 10/15/2018 (Lomeli, Lydia R.) (Entered: 10/15/2018)
10/15/2018	511	Hearing Set (RE: related document(s)506 Motion for Relief from Stay - Personal Property filed by Attorney Hartford Fire Insurance Company) The Hearing date is set for 11/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/15/2018)
10/15/2018	512	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT.** WARNING: Attorney to re-file using correct event code: 'Memorandum of points and authorities' (RE: related document(s)507 Motion for Relief from Stay - Personal Property filed by Attorney Hartford Fire Insurance Company) (Lomeli, Lydia R.) (Entered: 10/15/2018)
10/15/2018	513 (139 pgs)	Schedule A/B Non-Individual: Property (Official Form 106A/B or 206A/B) , Schedule D Non-Individual: Creditors Who Have Claims Secured by Property (Official Form 106D or 206D) , Schedule E/F Non-Individual: Creditors Who Have Unsecured Claims (Official Form 106F or 206F) , Schedule G Non-Individual: Executory Contracts and Unexpired Leases (Official Form 106G or 206G) , Schedule H Non-Individual: Your Codebtors (Official Form 106H or 206H) , Summary of Assets and Liabilities for Non-Individual (Official Form 106Sum or 206Sum) , Declaration Under Penalty of Perjury for Non-Individual Debtors (Official Form 202) Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1 Voluntary Petition (Chapter 11)). (Moyron, Tania) (Entered: 10/15/2018)
10/15/2018	514 (92 pgs)	Statement of Financial Affairs for Non-Individual Filing for Bankruptcy (Official Form 107 or 207) Filed by Debtor Verity Health System of California,

		Inc. (RE: related document(s)1 Voluntary Petition (Chapter 11)). (Moyron, Tania) (Entered: 10/15/2018)
10/15/2018	515 (23 pgs; 2 docs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: . Fee Amount $181, Filed by Creditors Florencio Zabala, Maria Zavala (Attachments: # 1 Exhibit A) (Polis, Thomas) (Entered: 10/15/2018)
10/15/2018		Receipt of Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM(2:18-bk-20151-ER) [motion,nman] (181.00) Filing Fee. Receipt number 47877835. Fee amount 181.00. (re: Doc# 515) (U.S. Treasury) (Entered: 10/15/2018)
10/15/2018	516 (5 pgs)	Disclosure of Compensation of Attorney for Debtor (Official Form 2030) Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1 Voluntary Petition (Chapter 11)). (Maizel, Samuel) (Entered: 10/15/2018)
10/15/2018	517 (2 pgs)	Errata *to Form - 2030 Disclosure of Compensation of Attorney* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)516 Disclosure of Compensation of Atty for Debtor (Official Form 2030)). (Maizel, Samuel) (Entered: 10/15/2018)
10/16/2018	518	Hearing Set (RE: related document(s)515 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Maria Zavala, Creditor Florencio Zabala) The Hearing date is set for 11/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/16/2018)
10/16/2018	519 (2 pgs)	Order Approving Stipulation Extending Deadline To File Opposition To Sale Motion (BNC-PDF) (Related Doc # 449) Signed on 10/16/2018 (Lomeli, Lydia R.) (Entered: 10/16/2018)
10/16/2018	520 (25 pgs)	Memorandum of points and authorities *in support of motion for relief from the automatic stay 506* Filed by Attorney Hartford Fire Insurance Company. (Klinger, Marilyn) (Entered: 10/16/2018)
10/16/2018	521 (2 pgs)	Order Granting Motion To Appear pro hac vice re John R. O'Keefe, Jr. (BNC-PDF) (Related Doc # 494) Signed on 10/16/2018 (Lomeli, Lydia R.) (Entered: 10/16/2018)
10/16/2018	522 (2 pgs)	Order Granting Debtors' Motion For Protective Order Pursuant To 11 U.S.C. 107(b)(1), FRBP 9037(d) And LBR 9037-1 To Restrict Access To Filed Documents Containing Potentially Proprietary And Confidential Information (BNC-PDF) (Related Doc # 473) Signed on 10/16/2018 (Lomeli, Lydia R.) (Entered: 10/16/2018)
10/16/2018	523 (5 pgs)	Stipulation By Verity Health System of California, Inc. and *Hunt Spine Institute, Inc. for Entry of an Order Resolving the Debtors' Motion to Reject Professional Services Agreement* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 10/16/2018)
10/16/2018	524 (4 pgs)	Order Approving Stipulation Resolving The Debtors' Motion To Reject, Pursuant To 11 U.S.C. 365(A), Professional Services Agreement And Development Agreement With Hunt Spine Institute, Inc. Nunc Pro Tunc To The Petition Date [Related To Docket No. 249] (BNC-PDF) (Related Doc # 523) Signed on 10/16/2018 (Lomeli, Lydia R.) (Entered: 10/16/2018)
10/16/2018	525 (24 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 346, 347, 350, 351, 354, 355, 357, 361, 362,*

		363, 364, 365, and 366 Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)346 Application to Employ Cain Brothers, A Division Of Keybanc Capital Markets Inc. as Investment Banker To The Debtors Nunc Pro Tunc To The Petition Date *; Declaration Of James Moloney In Support Thereof*, 347 Notice, 361 Certificate of Service, 362 Declaration, 363 Motion *Debtors Notice Of Motion And Motion For Entry Of An Order Establishing Procedures For Monthly Payment Of Fees And Expense Reimbursement; Memorandum Of Points And Authorities; Declaration Of Elspeth Paul*, 364 Motion *Notice Of Motion And Motion For An Order Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Elspeth, 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use,, 366 Notice of sale of estate property (LBR 6004-2)). (Moyron, Tania) (Entered: 10/16/2018)*
10/16/2018	526 (28 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 393, 394, 399 and 400* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)393 Declaration, 394 Declaration, 399 Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tu, 400 Motion to Reject Lease or Executory Contract / Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with Sports, Orthopedic and Rehabilitation Associates (SOAR) and Related Executory Contracts and). (Moyron, Tania) (Entered: 10/16/2018)*
10/16/2018	527 (20 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 406, 409 and 410* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)406 Notice, 409 Order on Motion to Use Cash Collateral (BNC-PDF), 410 Motion to approve compromise */ Debtors' Notice of Motion and Motion for Entry of an Order Pursuant to 11 U.S.C. §§ 363 and 105 and Fed. R. Bankr. P. 9019 Authorizing Entry Into New Collective Bargaining Agreements With International Un). (Moyron, Tania) (Entered: 10/16/2018)*
10/16/2018	528 (3 pgs)	Declaration re: *Neil Howard's Holographic Signature in Support of Motion for Relief from Stay* Filed by Creditors Florencio Zabala, Maria Zavala (RE: related document(s)515 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: . Fee Amount $181,). (Polis, Thomas) (Entered: 10/16/2018)
10/16/2018	529 (635 pgs; 8 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 414-418 and 421-424* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)414 Order (Generic) (BNC-PDF), 415 Notice of continued meeting of creditors and appearance of debtor (11 USC 341(a)), 416 Certificate of Service, 417 Certificate of Service, 418 Certificate of Service, 421 Application to Employ Pachulski Stang Ziehl & Jones LLP as Co-Counsel for the Debtors , 422 Notice of motion/application, 423 Application to Employ Nelson Hardiman LLP as Special Healthcare Regulatory Counsel , 424 Notice). (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E # 6 Exhibit F # 7 Exhibit G) (Moyron, Tania) (Entered: 10/16/2018)
10/16/2018	530 (12 pgs)	Notice *of Intent to Enforce Mechanic's Lien Pursuant to 11 U.S.C. 546(b) Against Real Property Owned By Seton Medical Center* Filed by Creditor Swinerton Builders. (Schultz, Nathan) (Entered: 10/16/2018)

10/16/2018	531 (16 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Final Order Granting Debtors' Emergency Motion for Entry of an Order Authorizing Debtors to Honor Prepetition Obligations to Critical Vendors* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)436 Order on Motion to Amend Application (BNC-PDF)). (Moyron, Tania) (Entered: 10/16/2018)
10/16/2018	532 (29 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 441, 443, 449 and 455* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)441 Stipulation By Verity Health System of California, Inc. and *Verity MOB Financing LLC and Verity MOB Financing II LLC; Stipulation Extending Deadline to File Opposition to Sale Motion*, 443 Stipulation By Verity Health System of California, Inc. and *Sports Orthopedic and Rehabilitation Associates; Stipulation Extending Deadline For Sports, Orthopedic And Rehabilitation Associates To File Objection To Motion To Reject Executory Cont, 449 Stipulation By Verity Health System of California, Inc. and UMB Bank N.A. as Successor Master Trustee for the Master Indenture Obligations and Wells Fargo Bank, National Association, as Series 2005 Bond Trustee and U.S. Bank National Association,). (Moyron, Tania) (Entered: 10/16/2018)*
10/16/2018	533 (20 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 468 and 473* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)468 Stipulation By Verity Health System of California, Inc. and *Stipulation Extending Deadline For Southeast Medical Center, Llc And Slauson Associates Of Huntington Park, Llc To File Objection To Motion To Reject Executory Contracts And Unexpired Le, 473 Motion for Protective Order Debtors Motion For Protective Order Pursuant To 11 U.S.C. § 107(B)(1), FRBP 9037(D) And LBR 9037-1 To Restrict Access To Filed Documents Containing Potentially Proprietary And Confidential Information). (Moyron, Tania) (Entered: 10/16/2018)*
10/16/2018	534 (25 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 479-482, 489, 493, 498 and 499* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)479 Declaration, 480 Stipulation and ORDER thereon (BNC-PDF), 481 Stipulation and ORDER thereon (BNC-PDF), 482 Stipulation and ORDER thereon (BNC-PDF), 489 Declaration, 493 Application to Employ Berkeley Research Group, LLC as Financial Advisor *Debtors Application For Entry Of An Order Authorizing Employment Of Berkeley Research Group, LLC As Financial Advisor To The Debtors Nunc Pro Tunc To The Petition Date; Declarati, 498 Notice, 499 Errata). (Moyron, Tania) (Entered: 10/16/2018)*
10/16/2018	535 (9 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Creditor Quadramed Affinity Corporation and Picis Clinical Solutions Inc. (Chenetz, Sara) re Schuyler G. Carroll, Modified on 10/17/2018 (Lomeli, Lydia R.). WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/16/2018)
10/16/2018	536 (6 pgs)	Notice of lodgment *of Order on Application of Non-Resident Attorney to Appear in a Specific Case* Filed by Creditor Quadramed Affinity Corporation and Picis Clinical Solutions Inc. (RE: related document(s)535 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Creditor Quadramed Affinity Corporation and Picis Clinical Solutions Inc.). (Chenetz, Sara) (Entered: 10/16/2018)
10/17/2018	537 (2 pgs)	Order Granting Motion To Appear pro hac vice re Schuyler G. Carroll (BNC-PDF) (Related Doc # 535) Signed on 10/17/2018 (Lomeli, Lydia R.) (Entered: 10/17/2018)

10/17/2018	538 (2 pgs)	Notice of Appearance and Request for Notice *And Inclusion on Mailing List* by Florice Hoffman Filed by Creditor National Union of Healthcare Workers. (Hoffman, Florice) (Entered: 10/17/2018)
10/17/2018	539 (9 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *Lisa M. Peters* Filed by Creditor GE HFS, LLC (Jennings, John) (Entered: 10/17/2018)
10/17/2018	540 (7 pgs)	Motion to Appear pro hac vice *David E. Lemke (amending Pro Hac Vice Application Docket No. 373)* Filed by Creditor ALLY BANK (Jurich, Lance) (Entered: 10/17/2018)
10/17/2018	541 (7 pgs)	Motion to Appear pro hac vice *Melissa W. Jones (amending Pro Hac Vice Application Docket No. 374)* Filed by Creditor ALLY BANK (Jurich, Lance) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/17/2018)
10/17/2018	542 (5 pgs; 2 docs)	Notice of lodgment Filed by Creditor ALLY BANK (RE: related document(s)540 Motion to Appear pro hac vice *David E. Lemke (amending Pro Hac Vice Application Docket No. 373)* Filed by Creditor ALLY BANK). (Attachments: # 1 Proposed Order) (Jurich, Lance) (Entered: 10/17/2018)
10/17/2018	543	Hearing Held (RE: related document(s)249 Motion to Reject Lease or Executory Contract filed by Debtor Verity Health System of California, Inc.) - The Court has entered an order approving a stipulated resolution of this matter. This hearing is VACATED and no appearances are required. (Lomeli, Lydia R.) (Entered: 10/17/2018)
10/17/2018	544 (5 pgs; 2 docs)	Notice of lodgment Filed by Creditor ALLY BANK (RE: related document(s)541 Motion to Appear pro hac vice *Melissa W. Jones (amending Pro Hac Vice Application Docket No. 374)* Filed by Creditor ALLY BANK). (Attachments: # 1 Proposed Order) (Jurich, Lance) (Entered: 10/17/2018)
10/17/2018	545 (28 pgs)	Reply to (related document(s): 302 Motion *for Order Compelling O'Connor Hospital to Assume or Reject Affiliation Agreement; Memorandum of Points and Authorities; Declaration of Ann Dohn* filed by Creditor Stanford Health Care) *Stanfords Reply In Support Of Its Motion For Order Compelling Oconnor Hospital To Assume Or Reject Affiliation Agreement; Declaration Of Grace Chen Yu; Supplemental Declaration Of Ann Dohn* Filed by Creditor Stanford Health Care (Walker, Matthew) (Entered: 10/17/2018)
10/17/2018	546 (2 pgs)	Order Granting Motion To Appear pro hac vice re David E. Lemke (BNC-PDF) (Related Doc # 540) Signed on 10/17/2018 (Lomeli, Lydia R.) (Entered: 10/17/2018)
10/17/2018	547 (5 pgs)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Davidoff, Brian. (Davidoff, Brian) (Entered: 10/17/2018)
10/17/2018	548 (5 pgs)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Banner, Keith. (Banner, Keith) (Entered: 10/17/2018)
10/17/2018	549 (8 pgs)	Request for special notice *[and Notice of Appearance] with Proof of Service* Filed by Creditor Otsuka Pharmaceutical Development & Commercialization, Inc.. (Goldberg, Eric) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). re Eric D. Goldberg and Jade M. Williams. Modified on 11/19/2018 (Lomeli, Lydia R.). (Entered: 10/17/2018)
10/17/2018	550	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. THE FILER IS INSTRUCTED TO RE-**

		FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT. WARNING: Attorney to re-file using correct event code: 'Redact (for Protective Order to Restrict Access Pers. ID (LBR Form F9037-1.1) (Fee) (motion)' (RE: related document(s)473 Motion for Protective Order filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 10/17/2018)
10/17/2018	551 (2 pgs)	Order Granting Motion To Appear pro hac vice re Lisa M. Peters. (BNC-PDF) (Related Doc # 539) Signed on 10/17/2018 (Lomeli, Lydia R.) (Entered: 10/17/2018)
10/17/2018	552 (2 pgs)	Order Granting Motion To Appear pro hac vice re Melissa W. Jones (BNC-PDF) (Related Doc # 541) Signed on 10/17/2018 (Lomeli, Lydia R.) (Entered: 10/17/2018)
10/17/2018	553 (3 pgs)	Motion to Redact (for Protective Order to Restrict Access to Filed Document Containing Personal Data Identifiers per LBR 9037-1(a)) *Debtors Motion For Protective Order Pursuant To 11 U.S.C. § 107(B)(1), FRBP 9037(D) And LBR 9037-1 To Restrict Access To Filed Documents Containing Potentially Proprietary And Confidential Information - [Filed Only To Amend Docket Entry No. 473]*. Fee Amount $25 Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/17/2018)
10/17/2018		Receipt of Motion to Redact (for Protective Order to Restrict Access Pers. ID (LBR Form F9037-1.1) (Fee)(2:18-bk-20151-ER) [motion,mredact] (25.00) Filing Fee. Receipt number 47891773. Fee amount 25.00. (re: Doc# 553) (U.S. Treasury) (Entered: 10/17/2018)
10/17/2018	554 (3 pgs)	Motion to Redact (for Protective Order to Restrict Access to Filed Document Containing Personal Data Identifiers per LBR 9037-1(a)) *Debtors Motion For Protective Order Pursuant To 11 U.S.C. § 107(B)(1), FRBP 9037(D) And LBR 9037-1 To Restrict Access To Filed Documents Containing Potentially Proprietary And Confidential Information - [Filed Only To Amend Docket Entry No. 473]*. Fee Amount $25 Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/17/2018)
10/17/2018		Receipt of Motion to Redact (for Protective Order to Restrict Access Pers. ID (LBR Form F9037-1.1) (Fee)(2:18-bk-20151-ER) [motion,mredact] (25.00) Filing Fee. Receipt number 47892103. Fee amount 25.00. (re: Doc# 554) (U.S. Treasury) (Entered: 10/17/2018)
10/17/2018	555 (1 pg)	Reply to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Debtors' Reply to Response of California Attorney General to Debtors' Bid Procedures Motion Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) CORRECTION: See entry 560 for complete document. Modified on 10/18/2018 (Lomeli, Lydia R.). (Entered: 10/17/2018)*
10/17/2018	556 (16 pgs)	Notice *of Submission of Copy of Receipt Evidencing Payment of Required Fee for John R. OKeefe, Jr. Pursuant to LBR 2090-1(b) [Dkt 494], with Proof of Service (related document no. 521)* Filed by Creditor The Huntington National Bank (RE: related document(s)494 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *by John R. O'Keefe, Jr., with Proof of Service* Filed by Creditor The Huntington National Bank). (Camhi, Howard) (Entered: 10/17/2018)
10/17/2018	557	Objection (related document(s): 365 Motion For Sale of Property of the Estate

	(44 pgs; 2 docs)	under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (Attachments: # 1 Declaration of Benjamin Ilhardt in Support) (O'Brient, Abigail) (Entered: 10/17/2018)*
10/17/2018	558 (1 pg)	Reply to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 437 Objection filed by Creditor Federal Communications Commission, 439 Objection filed by Creditor Pension Benefit Guaranty Corporation, 444 Response filed by Creditor Premier, Inc., 445 Objection filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America, 450 Objection filed by Creditor SEIU United Healthcare Workers - West, 452 Opposition filed by Creditor OCH Forest 1, General Partner of O'Connor Health Center 1, a limited partnership, 458 Objection filed by Creditor Stationary Engineers Local 39, 460 Objection filed by Creditor Retirement Plan for Hospital Employees, 465 Objection filed by Creditor California Nurses Association, 490 Objection filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) Omnibus Reply to Objections to Motion of Debtors for (I) Entry of Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders to Use, (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections, (3) Approving Form of Notice to be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances [Related Docket Nos. 365, 437, 439, 444, 445, 450, 452, 458, 460, 465 and 490] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) CORRECTION: See entry 561 for complete document. Modified on 10/18/2018 (Lomeli, Lydia R.). (Entered: 10/17/2018)*
10/17/2018	559 (23 pgs)	Motion to Reconsider (related documents 409 Order on Motion to Use Cash Collateral (BNC-PDF)) *Under Rule 9023/FRCP 59(e)* Filed by Creditor Retirement Plan for Hospital Employees (Lapping, Richard) (Entered: 10/17/2018)
10/17/2018	560 (14 pgs)	Reply to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Debtors' Reply to Response of California Attorney General to Debtors' Bid Procedures Motion Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 10/17/2018)*
10/17/2018	561 (24 pgs)	Reply to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 437 Objection filed by Creditor Federal Communications Commission, 439 Objection filed by Creditor Pension Benefit Guaranty Corporation, 444 Response filed by Creditor Premier, Inc., 445 Objection filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America,*

		450 Objection filed by Creditor SEIU United Healthcare Workers - West, 452 Opposition filed by Creditor OCH Forest 1, General Partner of O'Connor Health Center 1, a limited partnership, 458 Objection filed by Creditor Stationary Engineers Local 39, 460 Objection filed by Creditor Retirement Plan for Hospital Employees, 465 Objection filed by Creditor California Nurses Association, 490 Objection filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) Omnibus Reply to Objections to Motion of Debtors for (I) Entry of Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders to Use, (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections, (3) Approving Form of Notice to Be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances [Related Docket Nos. 365, 437, 439, 444, 445, 450, 452, 458, 460, 465 and 490] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/17/2018)
10/17/2018	562 (19 pgs)	Reply to (related document(s): 447 Objection filed by Creditor United States Department of Health and Human Services) *Debtors Reply To Objection Of U.S. Department Of Health And Human Services And Centers For Medicare And Medicaid Services To Debtors Bid Procedures Motion* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 10/17/2018)
10/17/2018	563 (6 pgs)	Stipulation By Verity Health System of California, Inc. and *All Care Medical Group, Inc. and Cigna Healthcare of California, Inc. and Life Insurance Company of North America and California Physician's Service dba Blue Shield of California and Health Net of California, Inc. and Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC; Stipulation Continuing Hearing Regarding Motion to Reject Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/17/2018)
10/17/2018	564 (3 pgs)	Motion to Amend (related document(s)409 Order on Motion to Use Cash Collateral (BNC-PDF)) *Pursuant to Rule 7052(b) for Amendment of Findings in Final Order (I) Authorizing Postpetition Financing [...]* Filed by Creditor Swinerton Builders (Schultz, Nathan) (Entered: 10/17/2018)
10/17/2018	565 (15 pgs)	Notice of Opportunity To Request a Hearing On Motion (LBR 9013-1(o)) Filed by Creditor Swinerton Builders (RE: related document(s)564 Motion to Amend (related document(s)409 Order on Motion to Use Cash Collateral (BNC-PDF)) *Pursuant to Rule 7052(b) for Amendment of Findings in Final Order (I) Authorizing Postpetition Financing [...]* Filed by Creditor Swinerton Builders). (Schultz, Nathan) (Entered: 10/17/2018)
10/17/2018	566 (58 pgs)	Application to Employ Milbank as Counsel *Application of Official Committee of Unsecured Creditors Under 11 U.S.C. § 1103 and Fed. R. Bankr. P. 2014 and 5002, For Order Authorizing Retention and Employment of Milbank, Tweed, Hadley & McCloy, LLP As Counsel, Effective As Of September 14, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/17/2018)
10/17/2018	567 (12 pgs)	Notice of motion/application *of Official Committee of Unsecured Creditors Under 11 U.S.C. § 1103 and Fed. R. Bankr. P. 2014 and 5002, For Order Authorizing Retention and Employment of Milbank, Tweed, Hadley & McCloy, LLP As Counsel, Effective As Of September 14, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)566 Application to

		Employ Milbank as Counsel *Application of Official Committee of Unsecured Creditors Under 11 U.S.C. § 1103 and Fed. R. Bankr. P. 2014 and 5002, For Order Authorizing Retention and Employment of Milbank, Tweed, Hadley & McCloy, LLP As Counsel, Effective As Of September 14, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.). (Behrens, James) (Entered: 10/17/2018)
10/17/2018	568 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)509 Order on Generic Motion (BNC-PDF)) No. of Notices: 3. Notice Date 10/17/2018. (Admin.) (Entered: 10/17/2018)
10/17/2018	569 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)510 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 10/17/2018. (Admin.) (Entered: 10/17/2018)
10/18/2018	570 (2 pgs)	Order Approving Stipulation Continuing Hearing Regarding Motion To Reject Professional Services Agreement With All Care Medical Group, Inc. And Related Executory Contracts And Unexpired Lease. Continued November 7, 2018 at 10:00 a.m. (BNC-PDF) (Related Doc # 563) Signed on 10/18/2018 (Lomeli, Lydia R.) (Entered: 10/18/2018)
10/18/2018	571 (2 pgs)	Original signature page Stipulation Continuing Hearing Regarding Motion to Reject Professional Services Agreement With All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease (Dkt. No. 563) *Submission of Signature Page of Health Net of California, Inc. for Stipulation Continuing Hearing Regarding Motion to Reject Professional Services Agreement With All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease [Dkt. No. 563]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 10/18/2018)
10/18/2018	572 (23 pgs)	Notice of continued perfection of lien (affects O'Connor Hospital in the amount of $440,269.64) Filed by Creditor FTG Builders Inc . (Lomeli, Lydia R.) (Entered: 10/18/2018)
10/18/2018	573 (3 pgs)	Notice *OF APPEARANCE AND REQUEST FOR SPECIAL NOTICE AND INCLUSION ON MAILING LIST* Filed by Creditors CHHP Holdings II, LLC, CPH Hospital Management, LLC, Eladh, L.P., Gardena Hospital L.P.. (Wentland, Adam) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/18/2018)
10/18/2018	574 (10 pgs)	Proof of service *CORRECTED Proof of Service re Notice of motion/application of Official Committee of Unsecured Creditors Under 11 U.S.C. § 1103 and Fed. R. Bankr. P. 2014 and 5002, For Order Authorizing Retention and Employment of Milbank, Tweed, Hadley & McCloy, LLP As Counsel, Effective As Of September 14, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)567 Notice of motion/application). (Behrens, James) (Entered: 10/18/2018)
10/18/2018	575 (10 pgs)	Proof of service *CORRECTED Proof of Service re Application to Employ Milbank as Counsel Application of Official Committee of Unsecured Creditors Under 11 U.S.C. § 1103 and Fed. R. Bankr. P. 2014 and 5002, For Order Authorizing Retention and Employment of Milbank, Tweed, Hadley & McCloy, LLP As Counsel, Effective As Of September 14, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)566 Application to Employ Milbank as Counsel *Application of Official Committee of Unsecured Creditors Under 11 U.S.C. § 1103 and Fed. R. Bankr. P. 2014 and 5002, For*

		Order Authorizing Retention and Employment of Milbank, Tweed, Hadley & McCloy, LLP). (Behrens, James) (Entered: 10/18/2018)
10/18/2018	576 (865 pgs; 9 docs)	Motion to Reject Lease or Executory Contract *Debtors Notice Of Motion And Motion To Reject, Pursuant To 11 U.S.C. § 365(A), Professional Services Agreement With All Care Medical Group, Inc. And Related Executory Contracts And Unexpired Lease Nunc Pro Tunc; Memorandum Of Points And Authorities; Declaration Of Stephen Campbell, M.D. [Filed Only To Amend Docket No. 399 In Accordance With Order Docket No. 522]* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E # 6 Exhibit F # 7 Exhibit G - Part 1 # 8 Exhibit G - Part 2) (Moyron, Tania) (Entered: 10/18/2018)
10/18/2018	577 (5 pgs)	Objection / limited objection and reservation of rights (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Lomeli, Lydia R.) (Entered: 10/18/2018)*
10/18/2018	578 (25 pgs)	Notice of continued perfection of lien (affects Saint Louise Regional Hospital in the amount of $11,983.00) Filed by Creditor FTG Builders Inc . (Lomeli, Lydia R.) (Entered: 10/18/2018)
10/18/2018	579 (25 pgs)	Notice of continued perfection of lien (affects Seton Medical Center in the amount of $306,498.49)) Filed by Creditor FTG Builders Inc . (Lomeli, Lydia R.) (Entered: 10/18/2018)
10/18/2018	580 (25 pgs)	Notice of continued perfection of lien (affects Seton Medical Center in the amount of $58,177.48) Filed by Creditor FTG Builders Inc . (Lomeli, Lydia R.) (Entered: 10/18/2018)
10/18/2018	581 (25 pgs)	Notice of continued perfection of lien (affects O'Connor Hospital in the amount of $412,943.50). Filed by Creditor FTG Builders Inc . (Lomeli, Lydia R.) (Entered: 10/18/2018)
10/18/2018	582 (44 pgs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Noble Williams v St Vincent Medical Center, et al., BC683258 . Fee Amount $181, Filed by Creditor Noble Williams (Lomeli, Lydia R.) (Entered: 10/18/2018)
10/18/2018	583	Hearing Set (RE: related document(s)582 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Noble Williams) The Hearing date is set for 11/19/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/18/2018)
10/18/2018	584 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Sports, Orthopedic and Rehabilitation Associates; Stipulation Continuing Hearing and Extending Deadline for Sports, Orthopedic and Rehabilitation Associates to File Objection to Motion to Reject Executory Contracts* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/18/2018)
10/18/2018	585	Hearing Set (RE: related document(s)576 Motion to Reject Lease or Executory Contract filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 11/7/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/18/2018)

10/18/2018	586 (2 pgs)	Order Approving Stipulation Continuing Hearing And Extending Deadline To File Objection To Motion To Reject Executory Contracts. Continued November 7, 2018 at 10:00 a.m. (BNC-PDF) (Related Doc # 584) Signed on 10/18/2018 (Lomeli, Lydia R.) (Entered: 10/18/2018)
10/18/2018	587 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)519 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/18/2018. (Admin.) (Entered: 10/18/2018)
10/18/2018	588 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)521 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 10/18/2018. (Admin.) (Entered: 10/18/2018)
10/18/2018	589 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)522 Order on Motion for Protective Order (BNC-PDF)) No. of Notices: 3. Notice Date 10/18/2018. (Admin.) (Entered: 10/18/2018)
10/18/2018	590 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)524 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/18/2018. (Admin.) (Entered: 10/18/2018)
10/19/2018	591 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Held, Michael. (Held, Michael) (Entered: 10/19/2018)
10/19/2018	592 (7 pgs; 2 docs)	Response to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) (RESERVATION OF RIGHTS OF INFOR (US), INC.) Filed by Creditor Infor (US), Inc. (Attachments: # 1 Proof of Service) (Petersen, Christopher) (Entered: 10/19/2018)*
10/19/2018	593 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Chenetz, Sara. (Chenetz, Sara) (Entered: 10/19/2018)
10/19/2018	594 (9 pgs)	Notice *Notice of Appearance and Request for Special Notice and Inclusion on Mailing List* Filed by Interested Party Engineers and Scientists of California Local 20, IFPTE. (Ziaja, Andrew) (Entered: 10/19/2018)
10/19/2018	595 (6 pgs)	Stipulation By Verity Health System of California, Inc. and *UMB Bank N.A. as Successor Master Trustee for the Master Indenture Obligations, and Wells Fargo Bank, National Association, as Series 2005 Bond Trustee, and U.S. Bank National Association, as Series 2015 Note Collateral Agent and Note Trustee, and U.S. Bank National Association, as Series 2017 Note Collateral Agent and Note Trustee; Amended Stipulation Extending Deadline to File Opposition to Sale Motion* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/19/2018)
10/19/2018	596 (5 pgs)	Stipulation By Verity Health System of California, Inc. and *Blue Shield of California; Stipulation Related to Debtors' Motion to Reject, Pursuant to 11 U.S.C. Section 365(A), Professional Services Agreement with All Care Medical Group and Related Executory Contracts and Unexpired Leases* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/19/2018)
10/19/2018	597 (8 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Engineers And Scientists Of California Local 20, IFPTE, AFL-CIO/CLCs Objection And Reservation Of Rights To Debtors Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder Etc. Filed by Interested Party*

		Engineers and Scientists of California Local 20, IFPTE (Ziaja, Andrew) (Entered: 10/19/2018)
10/19/2018	598 (103 pgs; 4 docs)	Objection (related document(s): 597 Objection filed by Interested Party Engineers and Scientists of California Local 20, IFPTE) *Declaration of Danielle Lucido in Support of Engineers and Scientists of California Local 20, IFPTE, AFL-CIO/CLC's Objection and Reservation of Rights to Debtors' Motion for the Entry of (I) An Order (1) Approving Form of Asset Purchase Etc.* Filed by Interested Party Engineers and Scientists of California Local 20, IFPTE (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Proof of Service) (Ziaja, Andrew) (Entered: 10/19/2018)
10/19/2018	599 (7 pgs)	Motion to Continue Hearing On (related documents 365 Motion to Sale of Property of the Estate under Section 363(b) - No Fee) Filed by Interested Party Attorney General For The State Of Ca (Berry, Alicia) (Entered: 10/19/2018)
10/19/2018	600 (7 pgs)	Proof of service Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (RE: related document(s)577 Objection). (Lomeli, Lydia R.) (Entered: 10/19/2018)
10/19/2018	601 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)537 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 10/19/2018. (Admin.) (Entered: 10/19/2018)
10/19/2018	602 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)546 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 10/19/2018. (Admin.) (Entered: 10/19/2018)
10/19/2018	603 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)551 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 10/19/2018. (Admin.) (Entered: 10/19/2018)
10/19/2018	604 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)552 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 10/19/2018. (Admin.) (Entered: 10/19/2018)
10/20/2018	605 (7 pgs)	Opposition to (related document(s): 599 Motion to Continue Hearing On (related documents 365 Motion to Sale of Property of the Estate under Section 363(b) - No Fee) filed by Interested Party Attorney General For The State Of Ca) *Debtors Opposition To Attorney Generals Motion To Continue The Hearing On Debtors Motion For Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder, And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/20/2018)
10/20/2018	606 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)570 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/20/2018. (Admin.) (Entered: 10/20/2018)
10/20/2018	607 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)586 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/20/2018. (Admin.) (Entered: 10/20/2018)
10/22/2018	608 (14 pgs)	Objection (related document(s): 599 Motion to Continue Hearing On (related documents 365 Motion to Sale of Property of the Estate under Section 363(b) - No Fee) filed by Interested Party Attorney General For The State Of Ca) *Official Committee of Unsecured Creditors Objection to Motion to Continue Hearing on Debtors Motion for Entry of (I) An Order (I) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder, and (II) An Order Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/22/2018)

10/22/2018	609 (2 pgs)	Order Approving Amended Stipulation Extending Deadline To File Opposition To Sale Motion (BNC-PDF) (Related Doc # 595) Signed on 10/22/2018 (Evangelista, Maria) (Entered: 10/22/2018)
10/22/2018	610 (3 pgs)	Order Approving Stipulation Related To Debtors' Motion To Reject, Pursuant To 11 U.S.C. ◆ 365(A), Professional Services Agreement With All Care Medical Group And Related Executory Contracts And Unexpired Leases (BNC-PDF) (Related Doc # 596) Signed on 10/22/2018 (Evangelista, Maria) (Entered: 10/22/2018)
10/22/2018	611 (7 pgs)	Notice of Appearance and Request for Notice by Lisa M Peters Filed by Creditor GE HFS, LLC. (Peters, Lisa) (Entered: 10/22/2018)
10/22/2018	612 (8 pgs)	Final Order Granting Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (Ii) Authorizing And Directing The Applicable Bank To Pay All Checks And Electronic Payment Requests Made By The Debtors Relating To The Foregoing (BNC-PDF) (Related Doc # 22) Signed on 10/22/2018 (Evangelista, Maria) (Entered: 10/22/2018)
10/22/2018	613 (10 pgs)	Stipulation By United States Department of Health and Human Services and *Stipulation to Postpone Hearing on Objection of the U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services to Debtors' Sale Procedures Motion and Allow Further Briefing with Proof of Service* Filed by Creditor United States Department of Health and Human Services (Levey, Elan) (Entered: 10/22/2018)
10/22/2018	614 (8 pgs)	Memorandum Of Decision (1) Overruling Objections To The (a) Prepetition Wages Motion And (b) Financing Motion And (2) Denying Motion For Reconsideration Of The Final Financing Order (BNC-PDF) (Related Doc # doc) Signed on 10/22/2018 (Evangelista, Maria) (Entered: 10/22/2018)
10/22/2018	615 (2 pgs)	Order Denying Motion For Reconsideration Of The Final Financing Order (BNC-PDF) (Related Doc # 559) Signed on 10/22/2018. (Evangelista, Maria) (Entered: 10/22/2018)
10/22/2018	616 (13 pgs)	Notice *of Appearance and Request for Service of Papers* Filed by Interested Party County of Santa Clara. (Jones, Gregory) WARNING: See entry 624 for corrective action. : Pursuant to the Court Manual section 3.8(c), the attorney is to re-file using mandatory form titled Request to be Added or Removed from Courtesy Notification of Electronic Filing (NEF). Instructions for Filing A Request To Be Added or Removed From Courtesy Notification of Electronic Filing (NEF) are in http://www.cacb.uscourts.gov/sites/cacb/files/documents/forms/InstructionsCourtesyNEF.pdf. Modified on 10/23/2018 (Lomeli, Lydia R.). (Entered: 10/22/2018)
10/22/2018	617 (14 pgs)	Motion to Appear pro hac vice *of James Kapp* Filed by Interested Party County of Santa Clara (Jones, Gregory) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/22/2018)
10/22/2018	618 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Hartford Fire Insurance Company; Stipulation Extending Deadline for Debtors to File Objection to Hartford Fire Insurance Company's Motion for Relief From Automatic Stay* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/22/2018)
10/22/2018	619 (218 pgs; 3 docs)	Response to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Interested Party Attorney General For The State Of Ca (Attachments: # 1 Exhibit A - O'Connor Hospital Healthcare Impact Report # 2 Exhibit B - Saint Louise Healthcare Impact Report) (Berry, Alicia) (Entered: 10/22/2018)*

10/22/2018	620 (4 pgs)	Response to (related document(s): 515 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: . Fee Amount $181, filed by Creditor Maria Zavala, Creditor Florencio Zabala) *Debtors' Response to Maria Zavala's and Florencio Zabala's Motion For Relief From The Automatic Stay* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 10/22/2018)
10/22/2018	621 (44 pgs)	Reply to (related document(s): 557 Objection filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee, 577 Objection filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee) *Reply To Objections Of UMB Bank And U.S. Bank To Motion Of Debtors For (I) Entry Of Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest And Best Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances [Related Dkt. Nos. 365, 557, 577]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/22/2018)
10/22/2018	622 (5 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 557 Objection filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee) Objection To Declaration Of Benjamin Ilhardt In Support Of Objection Of UMB Bank, N.A., As Master Trustee And Wells Fargo Bank, National Association, As Bond Trustee, To Sale Motion (Saint Louise Hospital, Oconnor Hospital) [Related Dkt. Nos. 365 And 557] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/22/2018)*
10/23/2018	623 (3 pgs)	Reply to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 597 Objection filed by Interested Party Engineers and Scientists of California Local 20, IFPTE) Debtors Reply To Engineers And Scientists Of California Local 20, IFPTE, AFL-CIO/CLCs Objection And Reservation Of Rights To Debtors Motion For The Entry Of An Order Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder Etc. Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/23/2018)*
10/23/2018	624	Notice to Filer of Error and/or Deficient Document **Document was not filed on the Court's Mandatory Form. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT WITH THE CORRECT MANDATORY FORM.** WARNING; Pursuant to the Court Manual section 3.8(c), the attorney is to re-file using mandatory form titled Request to be Added or Removed from Courtesy Notification of Electronic Filing (NEF). Instructions for Filing A Request To Be Added or Removed From Courtesy Notification of Electronic Filing (NEF) are in http://www.cacb.uscourts.gov/sites/cacb/files/documents/forms/InstructionsCourtesyNEF.pdf. (RE: related document(s)616 Notice filed by Interested Party County of Santa Clara) (Lomeli, Lydia R.) (Entered: 10/23/2018)
10/23/2018	625 (13 pgs)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Jones, Gregory. (Jones, Gregory) WARNING: See entry 653 for corrective action. Modified on 10/25/2018 (Lomeli, Lydia R.). (Entered: 10/23/2018)
10/23/2018	626 (12 pgs)	Response to (related document(s): 410 Motion to approve compromise */ Debtors' Notice of Motion and Motion for Entry of an Order Pursuant to 11 U.S.C. §§ 363 and 105 and Fed. R. Bankr. P. 9019 Authorizing Entry Into New Collective Bargaining Agreements With International Un filed by Debtor Verity Health System of California, Inc.) Official Committee of Unsecured Creditors Response to Debtors Motion for Entry of an Order Pursuant to 11*

		U.S.C. §§ 363 and 105 and Fed. R. Bankr. P. 9019 Authorizing Entry Into New Collective Bargaining Agreements with International Union of Operating Engineers, Stationary Engineers, Local 39 [Dkt. 410] Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/23/2018)
10/23/2018	627 (6 pgs)	Notice *Notice Of Filing Of Letter From Alicia Berry, Deputy Attorney General Regarding Termination Of Management Agreement With Integrity Healthcare, LLC, Dated October 19, 2018* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)254 Motion *Debtors' Notice of Motion and Motion to Reject Health System Management Agreement with Integrity Healthcare, LLC; Memorandum of Points and Authorities; Declaration of Richard G. Adcock* Filed by Debtor Verity Health System of California, Inc.). (Maizel, Samuel) (Entered: 10/23/2018)
10/23/2018	628 (13 pgs)	Notice of lodgment *of Order re Application of Non-Resident Attorney to Appear* Filed by Interested Party County of Santa Clara (RE: related document(s)617 Motion to Appear pro hac vice *of James Kapp* Filed by Interested Party County of Santa Clara). (Jones, Gregory) (Entered: 10/23/2018)
10/23/2018	629 (15 pgs)	Declaration re: *Payment of Fees* Filed by Interested Party County of Santa Clara (RE: related document(s)617 Motion to Appear pro hac vice *of James Kapp*). (Jones, Gregory) (Entered: 10/23/2018)
10/23/2018	630 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Still, Andrew. (Still, Andrew) (Entered: 10/23/2018)
10/23/2018	631 (78 pgs; 3 docs)	Motion */Notice of Motion For Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan; Memorandum of Points and Authorities In Support Thereof; Declarations of Richard G. Adcock and Christopher J. Kearns Filed Concurrently Herewith* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A - VERITY KEIP PLAN # 2 Exhibit B - VERITY KERP PLAN) (Maizel, Samuel) (Entered: 10/23/2018)
10/23/2018	632 (10 pgs)	Motion */Notice of Debtors Motion For Entry of an Order Sealing Employee Information; Memorandum of Points and Authorities; Declaration Richard G. Adcock In Support Filed Concurrently Herewith* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 10/23/2018)
10/23/2018	633 (2 pgs)	Application *For Order Setting Hearing On Shortened Notice [LBR 9075-1(B)]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/23/2018)
10/23/2018	634 (4 pgs)	Declaration re: *Richard G. Adcock In Support* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)632 Motion */Notice of Debtors Motion For Entry of an Order Sealing Employee Information; Memorandum of Points and Authorities; Declaration Richard G. Adcock In Support Filed Concurrently Herewith*, 633 Application *For Order Setting Hearing On Shortened Notice [LBR 9075-1(B)]*). (Moyron, Tania) (Entered: 10/23/2018)
10/24/2018	635 (4 pgs)	Order Granting Application And Setting Hearing On Shortened Notice. Debtors' Motion For Entry Of An Order Sealing Employee Information. 10-31-18 at 10:00 a.m.(BNC-PDF) (Related Doc # 633) Signed on 10/24/2018 (Lomeli, Lydia R.) (Entered: 10/24/2018)
10/24/2018	636	Hearing Set (RE: related document(s)632 Debtors Motion For Entry of an Order Sealing Employee Information filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 10/31/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/24/2018)
10/24/2018	637	Hearing Set (RE: related document(s)631 Motion For Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan; Memorandum of Points and Authorities In Support Thereof filed by Debtor Verity Health

		System of California, Inc.) The Hearing date is set for 11/13/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/24/2018)
10/24/2018	638 (2 pgs)	Order Consolidating Hearings On Matters Initially Scheduled To Be Heard On November 5, 6, And 7, 2018. Rescheduled to November 7, 2018, at 10:00 a.m. 1) Notice of Motion and Motion for Relief from the Automatic Stay Under 11 U.S.C. ⁄362 [Doc. No. 515] (initially scheduled for November 5, 2018, at 10:00 a.m.); 2) Debtors? Notice of Motion and Motion for Entry of an Order Pursuant to 11 U.S.C. ⁄⁄363 and 105 and Fed. R. Bankr. P. 9019 Authorizing Entry into New Collective Bargaining Agreements with International Union of Operating Engineers, Stationary Engineers, Local 39 [Doc. No. 410] (initially scheduled for November 6, 2018, at 10:00 a.m.); 3) Application of Patient Care Ombudsman to Employ Dr. Tim Stacy DNP, ACNP-BC as Consultant Effective as of October 1, 2018 [Doc. No. 484] (initially scheduled for November 7, 2018, at 11:00 a.m.); 4) Application of Patient Care Ombudsman to Employ Levene, Neale, Bender, Yoo & Brill LLP as Bankruptcy Counsel Effective as of October 1, 2018 [Doc. No. 483] (initially scheduled for November 7, 2018, at 11:00 a.m.). (BNC-PDF) (Related Doc # 515 , 410 , 484 , 483) Signed on 10/24/2018 (Lomeli, Lydia R.) (Entered: 10/24/2018)
10/24/2018	639 (3 pgs)	Order Approving Stipulation To Postpone Hearing On Objection Of The U.S. Department Of Health And Human Services And Centers For Medicare And Medicaid Services To Debtors' Sale Procedures Motion And Allow Further Briefing (BNC-PDF) (Related Doc # 613) Signed on 10/24/2018 (Lomeli, Lydia R.) (Entered: 10/24/2018)
10/24/2018	640 (3 pgs)	Order Approving Stipulation Adjourning Hearing On And Extending Deadline For Debtors' To File Objection To Hartford Fire Insurance Company?s Motion For Relief From Stay [Related To Docket Nos. 507 And 618]. Continued to November 13, 2018 at 10:00 a.m (BNC-PDF) (Related Doc # 618) Signed on 10/24/2018 (Lomeli, Lydia R.) (Entered: 10/24/2018)
10/24/2018	641 (4 pgs)	Supplemental *Information In Support Of Debtors Motion For Entry Of An Order Establishing Procedures For Monthly Payment Of Fees And Expense Reimbursement* Filed by Debtor Verity Health System of California, Inc.. (Moe, John) (Entered: 10/24/2018)
10/24/2018	642 (2 pgs)	Order Granting Motion To Appear pro hac vice re JAMES KAPP (BNC-PDF) (Related Doc # 617) Signed on 10/24/2018 (Lomeli, Lydia R.) (Entered: 10/24/2018)
10/24/2018	643 (6 pgs)	Notice of Appearance and Request for Notice by Seth B Shapiro Filed by Creditor United States Department of Health and Human Services. (Shapiro, Seth) (Entered: 10/24/2018)
10/24/2018	644 (4 pgs)	Hearing Held (RE: related document(s)364 Motion For An Order Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business; filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Party to lodge order: Movant. Granted. (Lomeli, Lydia R.) Additional attachment(s) added on 10/24/2018 (Lomeli, Lydia R.). Mod (Entered: 10/24/2018)
10/24/2018	645 (17 pgs)	Hearing Held (RE: related document(s)365 Motion to Sale of Property of the Estate under Section 363(b) - No Fee filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Party to lodge order: Movant. Amended after hearing. The Bidding Procedures Motion is GRANTED withagreed to amendments as set forth on the record. The hearing to approve the sale and authorize the assumption and assignment of Assumed Executory Contracts shall take place on December 18, 2018, at 10:00 a.m.(Lomeli, Lydia R.) Additional attachment(s) added on 10/24/2018 (Lomeli, Lydia R.). (Entered: 10/24/2018)
10/24/2018	646 (5 pgs)	Hearing Held (RE: related document(s)302 Motion for Order Compelling O'Connor Hospital to Assume or Reject Affiliation Agreement; filed by Creditor Stanford Health Care) (see ruling attached). Party to lodge order: Movant. Denied without prejudice. (Lomeli, Lydia R.) Additional attachment(s) added on 10/24/2018 (Lomeli, Lydia R.). (Entered: 10/24/2018)
10/24/2018	647	Hearing Held re 334 FINAL HEARING re Motion for Interim Order Authorizing Credit

	(3 pgs)	Card Program with City National Bank (see ruling attached). Party to lodge order: Movant. Granted on a final basis. (Lomeli, Lydia R.) Additional attachment(s) added on 10/24/2018 (Lomeli, Lydia R.). (Entered: 10/24/2018)
10/24/2018	648 (8 pgs)	Notice of Hearing *on Debtors' Motion For Entry of an Order Sealing Employee Information* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)631 Motion */Notice of Motion For Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan; Memorandum of Points and Authorities In Support Thereof; Declarations of Richard G. Adcock and Christopher J. Kearns Filed Concurrently Herewith* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A - VERITY KEIP PLAN # 2 Exhibit B - VERITY KERP PLAN) filed by Debtor Verity Health System of California, Inc., 632 Motion */Notice of Debtors Motion For Entry of an Order Sealing Employee Information; Memorandum of Points and Authorities; Declaration Richard G. Adcock In Support Filed Concurrently Herewith* Filed by Debtor Verity Health System of California, Inc. filed by Debtor Verity Health System of California, Inc.). (Moyron, Tania) (Entered: 10/24/2018)
10/24/2018	649 (1 pg)	Transcript Order Form, regarding Hearing Date 10/24/18 Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 10/24/2018)
10/24/2018	650 (3 pgs)	Declaration re: *Declaration Of John A. Moe, II, In Support Of Debtors Motion For Entry Of An Order Establishing Procedures For Monthly Payment Of Fees And Expense Reimbursement [Docket #363]* Filed by Debtor Verity Health System of California, Inc.. (Moe, John) (Entered: 10/24/2018)
10/24/2018	651 (5 pgs)	Errata *to Application for Order Setting Hearing on Shortened Notice* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)633 Application *For Order Setting Hearing On Shortened Notice [LBR 9075-1(B)]*). (Moyron, Tania) (Entered: 10/24/2018)
10/24/2018	652	Transcript Record Transmittal (Court transcript records have been uploaded to FDS). For Order Number: 18-ER-20. RE Hearing Date: 10/24/2018, [TRANSCRIPTION SERVICE PROVIDER: Ben Hyatt Certified Deposition Reporters, Telephone number 888-272-0022.] (RE: related document(s)649 Transcript Order Form (Public Request) filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 10/24/2018)
10/24/2018	653	NOTICE TO FILER. Pursuant to Section 3.8(c) of the Court Manual, any attorney wishing to receive courtesy electronic notice of all documents filed is to file mandatory form titled Request to be Added or Removed from Courtesy Notification of Electronic Filing (NEF). Instructions for Filing A Request To Be Added or Removed From Courtesy Notification of Electronic Filing (NEF) are in http://www.cacb.uscourts.gov/sites/cacb/files/documents/forms/InstructionsCourtesyNEF.pdf. (RE: related document(s)6 Notice of Appearance filed by Creditor Stationary Engineers Local 39, 7 Notice of Appearance filed by Creditor SEIU United Healthcare Workers - West, 9 Notice of Appearance filed by Creditor Stationary Engineers Local 39 Pension Trust Fund, Creditor Stationary Engineers Local 39 Health and Welfare Trust Fund, 13 Notice of Appearance filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee, 52 Motion to Appear pro hac vice filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee, 53 Motion to Appear pro hac vice filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee, 54 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Debtor Verity Health System of California, Inc., 55 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Debtor Verity Health System of California, Inc., 58 Notice filed by Creditor St. Vincent IPA Medical Corporation, 62 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee, 63 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee, 64 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee, 65 Motion to Appear pro hac vice filed by

		Creditor U.S. Bank National Association, not individually, but as Indenture Trustee, 66 Motion to Appear pro hac vice filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee, 78 Motion to Appear pro hac vice filed by Creditor St. Vincent IPA Medical Corporation, 79 Motion to Appear pro hac vice filed by Creditor St. Vincent IPA Medical Corporation, 93 Request for courtesy Notice of Electronic Filing (NEF) filed by Interested Party Courtesy NEF, 94 Request for courtesy Notice of Electronic Filing (NEF) filed by Interested Party Courtesy NEF, 105 Request for courtesy Notice of Electronic Filing (NEF) filed by Creditor Medline Industries, Inc., 148 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Creditor Old Republic Insurance Company, et al, 169 Request for courtesy Notice of Electronic Filing (NEF) filed by Interested Party Courtesy NEF, 189 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Creditor Old Republic Insurance Company, et al, 200 Notice of Appearance filed by Creditor California Nurses Association, 253 Notice of Appearance filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee, 255 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee, 266 Notice filed by Creditor Swinerton Builders, 295 Notice of Appearance filed by Creditor United Nurses Associations of CA/Union of Health Care Professionals, 374 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Creditor ALLY BANK, 427 Notice filed by Creditor Healthcare Transformation Inc., 461 Request for special notice filed by Creditor O'Connor Health Center 1, a California Limited Partnership, 464 Motion to Appear pro hac vice filed by Creditor Verity MOB Financing LLC, Creditor Verity MOB Financing II LLC, 470 Notice of Appearance filed by Creditor Sodexo, Inc., 494 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Creditor The Huntington National Bank, 495 Notice of Appearance filed by Creditor Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC, 535 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Creditor Quadramed Affinity Corporation and Picis Clinical Solutions Inc., 541 Motion to Appear pro hac vice filed by Creditor ALLY BANK, 549 Request for special notice filed by Creditor Otsuka Pharmaceutical Development & Commercialization, Inc., 573 Notice filed by Creditor CHHP Holdings II, LLC, Creditor Gardena Hospital L.P., Creditor Eladh, L.P., Creditor CPH Hospital Management, LLC, 616 Notice filed by Interested Party County of Santa Clara, 617 Motion to Appear pro hac vice filed by Interested Party County of Santa Clara, 625 Request for courtesy Notice of Electronic Filing (NEF) filed by Interested Party County of Santa Clara) (Lomeli, Lydia R.) (Entered: 10/24/2018)
10/24/2018	654 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)609 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/24/2018. (Admin.) (Entered: 10/24/2018)
10/24/2018	655 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)610 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/24/2018. (Admin.) (Entered: 10/24/2018)
10/24/2018	656 (13 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)612 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 10/24/2018. (Admin.) (Entered: 10/24/2018)
10/24/2018	657 (13 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)614 Memorandum of decision (BNC-PDF)) No. of Notices: 3. Notice Date 10/24/2018. (Admin.) (Entered: 10/24/2018)
10/24/2018	658 (3 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)615 Order on Motion To Reconsider (BNC-PDF)) No. of Notices: 3. Notice Date 10/24/2018. (Admin.) (Entered: 10/24/2018)
10/25/2018	659 (9 pgs; 2 docs)	Notice // *Pension Benefit Guaranty Corporation's Notice of Proposed Language for Inclusion into the Debtors' Bidding Procedures* Filed by Creditor Pension Benefit Guaranty Corporation (RE: related document(s)439 Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement*

		For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Pension Benefit Guaranty Corporation (Attachments: # 1 Proof of Service)). (Attachments: # 1 Proof of Service) (Butler, Damarr) (Entered: 10/25/2018)
10/25/2018	660 (35 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 631-634, 638, 640, 641, 648, 650 and 651* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)631 Motion */Notice of Motion For Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan; Memorandum of Points and Authorities In Support Thereof; Declarations of Richard G. Adcock and Christopher J., 632 Motion /Notice of Debtors Motion For Entry of an Order Sealing Employee Information; Memorandum of Points and Authorities; Declaration Richard G. Adcock In Support Filed Concurrently Herewith, 633 Application For Order Setting Hearing On Shortened Notice [LBR 9075-1(B)], 634 Declaration, 638 Order (Generic) (BNC-PDF), 640 Stipulation and ORDER thereon (BNC-PDF), 641 Supplemental, 648 Notice of Hearing, 650 Declaration, 651 Errata). (Moyron, Tania) (Entered: 10/25/2018)*
10/25/2018	661 (5 pgs)	Order On Debtors' Motion Establishing Procedures For Monthly Payment Of Fees And Expense Reimbursement (BNC-PDF) (Related Doc # 363) Signed on 10/25/2018 (Lomeli, Lydia R.) (Entered: 10/25/2018)
10/25/2018	662 (7 pgs)	Notice of Appearance and Request for Notice by Paul R. Glassman Filed by Creditor Long Beach Memorial Medical Center. (Glassman, Paul) NOTICE TO FILER. Attorney Jeremy H. Rothstein, Esq. is not on the list to receive courtesy electronic notices. Pursuant to Section 3.8(c) of the Court Manual, any attorney wishing to receive courtesy electronic notice of all documents filed is to file mandatory form titled Request to be Added or Removed from Courtesy Notification of Electronic Filing (NEF). Instructions for Filing A Request To Be Added or Removed From Courtesy Notification of Electronic Filing (NEF) are in http://www.cacb.uscourts.gov/sites/cacb/files/documents/forms/InstructionsCourtesyNEF.pdf. Modified on 10/26/2018 (Lomeli, Lydia R.). (Entered: 10/25/2018)
10/25/2018	663 (13 pgs)	Notice *of Application Pursuant to Fed. R. Bankr. P. 2014(a) for Order Under Section 1103 of the Bankruptcy Code Authorizing the Employment and Retention of FTI Consulting, Inc. as Financial Advisor to the Office Committee of Unsecured Creditors Nunc Pro Tunc to September 14, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.. (Behrens, James) (Entered: 10/25/2018)
10/25/2018	664 (33 pgs)	Application *Pursuant to Fed. R. Bankr. P. 2014(a) for Order Under Section 1103 of the Bankruptcy Code Authorizing the Employment and Retention of FTI Consulting, Inc. as Financial Advisor to the Office Committee of Unsecured Creditors Nunc Pro Tunc to September 14, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/25/2018)
10/26/2018	665 (19 pgs; 2 docs)	Objection (related document(s): 400 Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with Sports, Orthopedic and Rehabilitation Associates (SOAR) and Related Executory Contracts and filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Sports, Orthopedic and Rehabilitation Associates (Attachments: # 1 Affidavit Declaration of Joseph P. Donahue iso "Limited Objection") (Wolf, Neal) (Entered: 10/26/2018)*
10/26/2018	666 (3 pgs)	Motion to File Amended Proof of Claim Filed by Creditor Schwalb Consulting, Inc. (Polard, Steven) WARNING: See entry 681 for corrective entry. The Filer Is Instructed To Re-File The Document With The Attached Motion. Modified on 10/26/2018 (Lomeli, Lydia R.). (Entered: 10/26/2018)
10/26/2018	667 (14 pgs)	Objection (related document(s): 632 Motion */Notice of Debtors Motion For Entry of an Order Sealing Employee Information; Memorandum of Points and Authorities; Declaration Richard G. Adcock In Support Filed Concurrently Herewith* filed by Debtor Verity Health

		System of California, Inc.) Filed by U.S. Trustee United States Trustee (LA) (Mar, Alvin) (Entered: 10/26/2018)
10/26/2018	668 (8 pgs)	Objection (related document(s): 634 Declaration filed by Debtor Verity Health System of California, Inc.) *Evidentiary Objections* Filed by U.S. Trustee United States Trustee (LA) (Mar, Alvin) (Entered: 10/26/2018)
10/26/2018	669 (3 pgs)	Notice of Appearance and Request for Notice *Notice* by Rose Zimmerman Filed by Interested Party City of Daly City. (Zimmerman, Rose) (Entered: 10/26/2018)
10/26/2018	670 (61 pgs)	Transcript regarding Hearing Held 10/24/18 RE: In Re: Verity Health System of California, Inc.. Remote electronic access to the transcript is restricted until 01/24/2019. The transcript may be viewed at the Bankruptcy Court Clerk's Office on a public terminal **or** purchased through the Transcription Service Provider before the transcript access restriction has ended. [TRANSCRIPTION SERVICE PROVIDER: Ben Hyatt Corporation, Telephone number 8882720022.]. Notice of Intent to Request Redaction Deadline Due By 11/2/2018. Redaction Request Due By 11/16/2018. Redacted Transcript Submission Due By 11/26/2018. Transcript access will be restricted through 01/24/2019. (Hyatt, Mitchell) (Entered: 10/26/2018)
10/26/2018	671 (5 pgs)	Stipulation By Verity Health System of California, Inc. and *UMB Bank N.A. as Successor Master Trustee for the Master Indenture Obligations, and U.S. Bank National Association, as Series 2015 Note Collateral Agent and Note Trustee, and U.S. Bank National Association, as Series 2017 Note Collateral Agent and Note Trustee; Stipulation Extending Deadline Re: Motion to Enter Into New CBAs* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/26/2018)
10/26/2018	672 (63 pgs)	Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)) Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)423 Application to Employ Nelson Hardiman LLP as Special Healthcare Regulatory Counsel). (Moyron, Tania) (Entered: 10/26/2018)
10/26/2018	673 (53 pgs)	Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)) Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)346 Application to Employ Cain Brothers, A Division Of Keybanc Capital Markets Inc. as Investment Banker To The Debtors Nunc Pro Tunc To The Petition Date *; Declaration Of James Moloney In Support Thereof*). (Moyron, Tania) (Entered: 10/26/2018)
10/26/2018	674 (98 pgs)	Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)) Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)345 Application to Employ Dentons US LLP as Bankruptcy Counsel *Debtors Application To Employ Dentons US LLP As Bankruptcy Counsel Nunc Pro Tunc To The Petition Date*). (Moyron, Tania) (Entered: 10/26/2018)
10/26/2018	675 (21 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 505, 509, 516 and 517* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)505 Motion */Supplement To Motion For Entry of an Order Establishing Procedures For Monthly Payment of Fees and Expense Reimbursement*, 509 Order on Generic Motion (BNC-PDF), 516 Disclosure of Compensation of Atty for Debtor (Official Form 2030), 517 Errata). (Moyron, Tania) (Entered: 10/26/2018)
10/26/2018	676 (26 pgs)	Certificate of Service *Declaration of Service By Kurtzman Carson Consultants, LLC Regarding Docket Numbers 570, 571, 584 and 586* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)570 Stipulation and ORDER thereon (BNC-PDF), 571 Original signature page, 584 Stipulation By Verity Health System of California, Inc. and *Sports, Orthopedic and Rehabilitation Associates; Stipulation Continuing Hearing and Extending Deadline for Sports, Orthopedic and Rehabilitation Associates to File Objection to Motion t, 586 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 10/26/2018)*
10/26/2018	677	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC*

	(23 pgs)	*Regarding Docket Numbers 519, 522, 523 and 524* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)519 Stipulation and ORDER thereon (BNC-PDF), 522 Order on Motion for Protective Order (BNC-PDF), 523 Stipulation By Verity Health System of California, Inc. and *Hunt Spine Institute, Inc. for Entry of an Order Resolving the Debtors' Motion to Reject Professional Services Agreement*, 524 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 10/26/2018)
10/26/2018	678 (25 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 595 and 596* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)595 Stipulation By Verity Health System of California, Inc. and *UMB Bank N.A. as Successor Master Trustee for the Master Indenture Obligations, and Wells Fargo Bank, National Association, as Series 2005 Bond Trustee, and U.S. Bank National Associatio, 596 Stipulation By Verity Health System of California, Inc. and Blue Shield of California; Stipulation Related to Debtors' Motion to Reject, Pursuant to 11 U.S.C. Section 365(A), Professional Services Agreement with All Care Medical Group and Re). (Moyron, Tania) (Entered: 10/26/2018)*
10/26/2018	679 (30 pgs)	Certificate of Service *Declaration of Kurtzman Carson Consultants, LLC Regarding Docket Numbers 560, 561, 562 and 563* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)563 Stipulation By Verity Health System of California, Inc. and *All Care Medical Group, Inc. and Cigna Healthcare of California, Inc. and Life Insurance Company of North America and California Physician's Service dba Blue Shield of California an). (Moyron, Tania) (Entered: 10/26/2018)*
10/26/2018	680 (64 pgs)	Declaration re: *Executed Declarations in Support of Retention of R. J. Burton Consulting; James R. Lahana, PLC; Law Office Of Marie F. Sang; Gong Nashed Pasco Inc.; Valensi Rose, PLC; Deborah Wilson; Ropes & Gray, LLP ; Martini, Tabari, Zenere And Garvin; Jeffer Mangels Butler & Mitchell LLP; Towers Watson Delaware Inc. D/B/A Willis Towers Watson; Steve Clark & Associates, Inc.; And, Salem & Green, A Professional Corporation* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)364 Motion *Notice Of Motion And Motion For An Order Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Elspeth). (Moe, John) (Entered: 10/26/2018)*
10/26/2018	681	Notice to Filer of Error and/or Deficient Document **. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT WITH THE ATTACHED MOTION.** (RE: related document(s)666 Motion to File Amended Proof of Claim filed by Creditor Schwalb Consulting, Inc.) (Lomeli, Lydia R.) (Entered: 10/26/2018)
10/26/2018	682 (1 pg)	Notice of Change of Address Filed by Creditor Asahi Intecc USA Inc . (Lomeli, Lydia R.) (Entered: 10/26/2018)
10/26/2018	683 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)635 Order on Generic Application (BNC-PDF)) No. of Notices: 3. Notice Date 10/26/2018. (Admin.) (Entered: 10/26/2018)
10/26/2018	684 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)638 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 10/26/2018. (Admin.) (Entered: 10/26/2018)
10/26/2018	685 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)639 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/26/2018. (Admin.) (Entered: 10/26/2018)
10/26/2018	686 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)640 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/26/2018. (Admin.) (Entered: 10/26/2018)
10/26/2018	687 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)642 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 10/26/2018. (Admin.)

		(Entered: 10/26/2018)
10/27/2018	688 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)661 Order on Generic Motion (BNC-PDF)) No. of Notices: 3. Notice Date 10/27/2018. (Admin.) (Entered: 10/27/2018)
10/29/2018	689 (10 pgs)	Motion to Appear pro hac vice *of Jeffrey C. Wisler* Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (Rathbone, William) (Entered: 10/29/2018)
10/29/2018	690 (5 pgs)	Certificate of Service *(Amended)* Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (RE: related document(s)689 Motion to Appear pro hac vice *of Jeffrey C. Wisler*). (Rathbone, William) (Entered: 10/29/2018)
10/29/2018	691 (8 pgs)	Stipulation By United States Trustee (LA) and *Debtors to Extend Objection Deadline for the United States Trustee re: Debtors' Motion for Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan* Filed by U.S. Trustee United States Trustee (LA) (Yip, Hatty) (Entered: 10/29/2018)
10/29/2018	692 (8 pgs)	Notice of lodgment *of Order* Filed by U.S. Trustee United States Trustee (LA) (RE: related document(s)691 Stipulation By United States Trustee (LA) and *Debtors to Extend Objection Deadline for the United States Trustee re: Debtors' Motion for Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retentio). (Yip, Hatty) (Entered: 10/29/2018)*
10/29/2018	693 (5 pgs)	Order Granting Motion to retain and compensate professionals utilized by the debtors in the ordinary course of business (BNC-PDF) (Related Doc # 364) Signed on 10/29/2018 (Lewis, Litaun) (Entered: 10/29/2018)
10/29/2018	694 (9 pgs; 3 docs)	Statement *Notice of Filing of Resolution of City of Daly City Regarding Seton Medical Center* Filed by Interested Party City of Daly City. (Attachments: # 1 Exhibit # 2 Exhibit) (Zimmerman, Rose) (Entered: 10/29/2018)
10/29/2018	695 (11 pgs; 3 docs)	Statement *Notice of Filing of Resolution City of Daly Daly City Regarding Seton Medical Center* Filed by Interested Party City of Daly City. (Attachments: # 1 Exhibit # 2 Exhibit) (Zimmerman, Rose) (Entered: 10/29/2018)
10/29/2018	696 (72 pgs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Robles v. St. Francis Medical Center, Case No. BC697012 . Fee Amount $181, Filed by Creditor Josefina Robles (Biegenzahn, Stephen) (Entered: 10/29/2018)
10/29/2018		Receipt of Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM(2:18-bk-20151-ER) [motion,nman] (181.00) Filing Fee. Receipt number 47956906. Fee amount 181.00. (re: Doc# 696) (U.S. Treasury) (Entered: 10/29/2018)
10/29/2018	697 (2 pgs)	Order Granting Stipulation extending deadline re: Motion to Enter in NEW CBAS. The deadline shall be extended from Octorber 31, 2018 to November 5, 2018 at 1:00 pm. [Please refer to order for more details] (BNC-PDF) (Related Doc # 671) Signed on 10/29/2018 (Lewis, Litaun) (Entered: 10/29/2018)
10/29/2018	698 (12 pgs)	Response to (related document(s): 632 Motion */Notice of Debtors Motion For Entry of an Order Sealing Employee Information; Memorandum of Points and Authorities; Declaration Richard G. Adcock In Support Filed Concurrently*

		Herewith filed by Debtor Verity Health System of California, Inc.) *Official Committee of Unsecured Creditors' Response to Debtors' Motion for Entry of an Order Sealing Employee Information* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/29/2018)
10/29/2018	699 (8 pgs)	Reply to (related document(s): 620 Response filed by Debtor Verity Health System of California, Inc.) *Movant, Maria Zavalas Reply to Debtors Opposition Re: Motion for Relief the Automatic Stay (ECF No. 620); with Proof of Service* Filed by Creditor Maria Zavala (Polis, Thomas) (Entered: 10/29/2018)
10/29/2018	700 (8 pgs; 2 docs)	Request for judicial notice *Movant, Maria Zavalas Request for Judicial Notice; with Proof of Service* Filed by Creditor Maria Zavala (RE: related document(s)699 Reply). (Attachments: # 1 Exhibit A) (Polis, Thomas) (Entered: 10/29/2018)
10/29/2018	701 (36 pgs)	Notice of lodgment *of Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders to Use, (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections, (3) Approving Form of Notice to be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder, and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Moyron, Tania) (Entered: 10/29/2018)
10/29/2018	702 (34 pgs)	Certificate of Service *Declaration of Service By Kurtzman Carson Consultants, LLC Regarding Docket Numbers 605, 609, 610, 612, 614, 618, And 620* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)605 Opposition, 609 Stipulation and ORDER thereon (BNC-PDF), 610 Stipulation and ORDER thereon (BNC-PDF), 612 Order (Generic) (BNC-PDF), 614 Memorandum of decision (BNC-PDF), 618 Stipulation By Verity Health System of California, Inc. and *Hartford Fire Insurance Company; Stipulation Extending Deadline for Debtors to File Objection to Hartford Fire Insurance Company's Motion for Relief From Automatic Stay*, 620 Response). (Maizel, Samuel) (Entered: 10/29/2018)
10/29/2018	703 (26 pgs)	Certificate of Service *Declaration of Service By Kurtzman Carson Consultants, LLC Regarding Docket Numbers 621, 622, 623 And 627* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)621 Reply, 622 Objection, 623 Reply, 627 Notice). (Maizel, Samuel) (Entered: 10/29/2018)
10/29/2018	704 (18 pgs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Medical Malpractice Claim *against O'Connor Hospital*. Fee Amount $181, Filed by Creditor Refugio Estrada (Katz, Lior) (Entered: 10/29/2018)

10/29/2018		Receipt of Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM(2:18-bk-20151-ER) [motion,nman] (181.00) Filing Fee. Receipt number 47957605. Fee amount 181.00. (re: Doc# 704) (U.S. Treasury) (Entered: 10/29/2018)
10/29/2018	705	Hearing Set (RE: related document(s)696 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Josefina Robles) The Hearing date is set for 11/19/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lewis, Litaun) (Entered: 10/29/2018)
10/29/2018	706 (4 pgs)	Reply to (related document(s): 632 Motion */Notice of Debtors Motion For Entry of an Order Sealing Employee Information; Memorandum of Points and Authorities; Declaration Richard G. Adcock In Support Filed Concurrently Herewith* filed by Debtor Verity Health System of California, Inc., 668 Objection filed by U.S. Trustee United States Trustee (LA)) *Debtors' Reply to U.S. Trustee's Evidentiary Objection to Declaration of Richard G. Adcock in Support of Debtors' Motion for Entry of an Order Sealing Employee Information* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/29/2018)
10/29/2018	707 (40 pgs)	Notice *of Filing of Redline to Order* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 621 Reply to (related document(s): 557 Objection filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee, 577 Objection filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee) *Reply To Objections Of UMB Bank And U.S. Bank To Motion Of Debtors For (I) Entry Of Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest And Best Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances [Related Dkt. Nos. 365, 557, 577]* Filed by Debtor Verity Health System of California, Inc., 701 Notice of lodgment *of Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders to Use, (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections, (3) Approving Form of Notice to be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder, and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To*

		Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)).). (Moyron, Tania) (Entered: 10/29/2018)
10/29/2018	708 (8 pgs)	Reply to (related document(s): 632 Motion */Notice of Debtors Motion For Entry of an Order Sealing Employee Information; Memorandum of Points and Authorities; Declaration Richard G. Adcock In Support Filed Concurrently Herewith* filed by Debtor Verity Health System of California, Inc., 667 Objection filed by U.S. Trustee United States Trustee (LA)) *Debtors' Reply to U.S. Trustee's Objection to Debtors' Motion for Order Sealing Employee Information In Conjunction with KEIP/KERP Motion* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/29/2018)
10/29/2018	709 (9 pgs; 2 docs)	Objection (related document(s): 506 Notice of motion and motion for relief from the automatic stay with supporting declarations PERSONAL PROPERTY RE: License Bonds . Fee Amount $181, filed by Attorney Hartford Fire Insurance Company) *Objection to Hartford Fire Insurance Company's Motion for Relief From the Automatic Stay Under 11 U.S.C. Section 362* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A) (Moyron, Tania) (Entered: 10/29/2018)
10/30/2018	710	Hearing Set (RE: related document(s)704 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Refugio Estrada) The Hearing date is set for 11/19/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/30/2018)
10/30/2018	711 (2 pgs)	Order Approving Stipulation To Extend Objection Deadline For The United States Trustee Re: Debtors' Motion For Entry Of Order Authorizing And Approving (I) Key Employee Incentive Plan, And (Ii) Key Employee Retention Plan (BNC-PDF) (Related Doc # 691) Signed on 10/30/2018 (Lomeli, Lydia R.) (Entered: 10/30/2018)
10/30/2018	712 (2 pgs)	Order Granting Application to Employ Dentons US LLP (BNC-PDF) (Related Doc # 345) Signed on 10/30/2018. (Lomeli, Lydia R.) (Entered: 10/30/2018)
10/30/2018	713 (2 pgs)	Order Granting Application to Employ Nelson Hardiman LLP (BNC-PDF) (Related Doc # 423) Signed on 10/30/2018. (Lomeli, Lydia R.) (Entered: 10/30/2018)
10/30/2018	714 (34 pgs)	Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances. The Sale Hearing shall be held on December 18, 2018, at 10:00 a.m. prevailing Pacific Time) at the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012 (BNC-PDF) (Related Doc # 365) Signed on 10/30/2018 (Lomeli, Lydia R.) (Entered: 10/30/2018)

10/30/2018	715 (1 pg)	Notice of Change of Address Filed by Creditor BDO USA, LLP, a California corporation . (Lomeli, Lydia R.) (Entered: 10/30/2018)
10/30/2018	716 (11 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Stipulation Extending Deadline for Official Committee of Unsecured Creditors to File Opposition to Debtors' KEIP/KERP Motion* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 10/30/2018)
10/30/2018	717 (62 pgs; 2 docs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: *Medical Negligence*. Fee Amount $181, Filed by Creditors Francisco Iniguez, Aida Iniguez (Attachments: # 1 Exhibit A) (Danielyan, Mariam) (Entered: 10/30/2018)
10/30/2018		Receipt of Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM(2:18-bk-20151-ER) [motion,nman] (181.00) Filing Fee. Receipt number 47967221. Fee amount 181.00. (re: Doc# 717) (U.S. Treasury) (Entered: 10/30/2018)
10/30/2018	718 (535 pgs; 4 docs)	Supplemental *Motion To Seal Employee Information and Supporting Replies [Relates to Docket Nos. 632, 706, 708]* Filed by Debtor Verity Health System of California, Inc.. (Attachments: # 1 Exhibit A - Transcript from the Bankruptcy Court for the District of Delaware in front of Judge Sontchi # 2 Exhibit B - Bankruptcy court orders and related documents listed chronologically # 3 Exhibit C - Testimony or filings referencing testimony as applicable listed chronologically) (Moyron, Tania) (Entered: 10/30/2018)
10/31/2018	719	Hearing Set (RE: related document(s)717 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Aida Iniguez, Creditor Francisco Iniguez) The Hearing date is set for 11/26/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 10/31/2018)
10/31/2018	720 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by OKeefe, John. (OKeefe, John) (Entered: 10/31/2018)
10/31/2018	721 (9 pgs)	Hearing Held (RE: related document(s)632 Debtors Motion For Entry of an Order Sealing Employee Information filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Granted. Party to lodge order: Movant (Lomeli, Lydia R.) Additional attachment(s) added on 10/31/2018 (Lomeli, Lydia R.). (Entered: 10/31/2018)
10/31/2018	722 (14 pgs)	Notice *of Appearance* Filed by Interested Party Wells Fargo Bank, National Association, as indenture trustee. (Nelson, Charles) (Entered: 10/31/2018)
10/31/2018	723 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *Santa Clara County; Stipulation Continuing Hearing Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances (Relates to Docket No. 714)* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/31/2018)
10/31/2018	724 (33 pgs)	Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A)

		Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; The Sale Hearing shall be held on December 19, 2018 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012 (BNC-PDF) (Related Doc # 365) Signed on 10/31/2018 (Evangelista, Maria) (Entered: 10/31/2018)
10/31/2018	725 (2 pgs)	Order Approving Stipulation Continuing Hearing Authorizing The Sale Of Property Free And Clear Of All Claims Liens And Encumbrances; The Hearing Date in the Entered Order (as defined in the Stipulation) shall be continued from December 18, 2018, at 10:00 a.m. to December 19, 2018, at 10:00 a.m [Relates To Docket No. 714] (BNC-PDF) (Related Doc # 723) Signed on 10/31/2018 (Evangelista, Maria) (Entered: 10/31/2018)
10/31/2018	726 (2 pgs)	Order Approving Stipulation Extending Deadline For Official Committee Of Unsecured Creditors To File Opposition To Debtors' Keip/Kerp Motion (BNC-PDF) (Related Doc # 716) Signed on 10/31/2018 (Lomeli, Lydia R.) (Entered: 10/31/2018)
10/31/2018	727 (2 pgs)	Order Granting Motion To Appear pro hac vice re Jeffrey C. Wisler (BNC-PDF) (Related Doc # 689) Signed on 10/31/2018 (Lomeli, Lydia R.) (Entered: 10/31/2018)
10/31/2018	728 (7 pgs)	Final Order Granting Emergency Motion Of Debtors For Authority To: (1) Continue Using Existing Cash Management System, Bank Accounts And Business Forms; (2) Implement Changes To The Cash Management System In The Ordinary Course Of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority For Postpetition Intercompany Claims; And (5) Obtain Related Relief (BNC-PDF) (Related Doc # 23) Signed on 10/31/2018 (Lomeli, Lydia R.) (Entered: 10/31/2018)
10/31/2018	729 (3 pgs)	Notice *of Sale Procedures, Auction Date, and Sale Hearing* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 724 Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; The Sale Hearing shall be held on December 19, 2018 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012 (BNC-PDF) (Related Doc 365) Signed on 10/31/2018). (Moyron, Tania) (Entered: 10/31/2018)
10/31/2018	730 (3 pgs)	Reply to (related document(s): 699 Reply filed by Creditor Maria Zavala) *Debtors Surreply To Maria Zavalas Reply In Regard To Ms. Zavalas And*

		Florencio Zabalas Motion For Relief From The Automatic Stay Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 10/31/2018)
10/31/2018	731 (6 pgs)	Stipulation By Verity Health System of California, Inc. and *All Care Medical Group, Inc., and California Physician's Service dba Blue Shield of California, and Health Net of California, Inc., and Southeast Medical Center, LLC, and Slauson Associates of Huntington Park, LLC; Stipulation Continuing Hearing Regarding Motion to Reject Professional Services Agreement With All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/31/2018)
10/31/2018	732 (8 pgs)	Opposition to (related document(s): 565 Notice of Opportunity To Request a Hearing On Motion (LBR 9013-1(o)) filed by Creditor Swinerton Builders) *Objection To Swinerton Builders Motion Pursuant To Bankruptcy Rule 7052(B) For Amendment Of Findings In Final DIP Order* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 10/31/2018)
10/31/2018	733 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)693 Order on Generic Motion (BNC-PDF)) No. of Notices: 3. Notice Date 10/31/2018. (Admin.) (Entered: 10/31/2018)
10/31/2018	734 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)697 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 10/31/2018. (Admin.) (Entered: 10/31/2018)
11/01/2018	735 (3 pgs)	Order Granting Debtors' Motion For Entry Of An Order Sealing Employee Information And Denying Evidentiary Objections Thereto (BNC-PDF) (Related Doc # 632) Signed on 11/1/2018 (Lomeli, Lydia R.) (Entered: 11/01/2018)
11/01/2018	736 (2 pgs)	Order Approving Stipulation Continuing Hearing Regarding Motion To Reject Professional Services Agreement With All Care Medical Group, Inc. And Related Executory Contracts And Unexpired Lease. Continued to. to December 12, 2018 at 10:00 a.m. (BNC-PDF) (Related Doc # 731) Signed on 11/1/2018 (Lomeli, Lydia R.) (Entered: 11/01/2018)
11/01/2018	737 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Cigna Healthcare of California, Inc. and Cigna Health and Life Insurance Company; Stipulation with Cigna Healthcare Continuing Hearing Regarding Motion to Reject Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/01/2018)
11/01/2018	738 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Sports, Orthopedic and Rehabilitation Associates; Stipulation Continuing Hearing Regarding Motion to Reject Professional Services Agreement with Sports, Orthopedic and Rehabilitation Associates and Related Executory Contracts and Unexpired Leases* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/01/2018)
11/01/2018	739 (11 pgs)	Response to (related document(s): 631 Motion */Notice of Motion For Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan; Memorandum of Points and Authorities In Support Thereof; Declarations of Richard G. Adcock and Christopher J. filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/01/2018)*

11/01/2018	740 (6 pgs)	Reply to (related document(s): 730 Reply filed by Debtor Verity Health System of California, Inc.) *Movant, Maria Zavalas Response and Request to Strike Debtors Unauthorized Surreply (ECF No. 730) Re: Movants Stay Relief Motion to Liquidate Malpractice Claim in Los Angeles Superior Court; with Proof of Service* Filed by Creditor Maria Zavala (Polis, Thomas) (Entered: 11/01/2018)
11/01/2018	741 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)711 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 11/01/2018. (Admin.) (Entered: 11/01/2018)
11/01/2018	742 (3 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)712 Order on Application to Employ (BNC-PDF)) No. of Notices: 3. Notice Date 11/01/2018. (Admin.) (Entered: 11/01/2018)
11/01/2018	743 (3 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)713 Order on Application to Employ (BNC-PDF)) No. of Notices: 3. Notice Date 11/01/2018. (Admin.) (Entered: 11/01/2018)
11/01/2018	744 (39 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)714 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF)) No. of Notices: 3. Notice Date 11/01/2018. (Admin.) (Entered: 11/01/2018)
11/02/2018	745 (2 pgs)	Order approving stipulation to continue hearing regarding motion to reject professional services agreement with Sports, Orthopedic and Rehabilitiation Associates and related executory contracts and unexpired leases from November 7, 2018 at 10:00 a.m. to December 12, 2018 at 10:00 a.m. (BNC-PDF) (Related Doc # 738) Signed on 11/2/2018 (Lewis, Litaun) (Entered: 11/02/2018)
11/02/2018	746 (3 pgs)	Order approving stipulation with Cigna Healthcare continuing hearing regarding motion to reject Professional Services Agreement with All Care Medical Group Inc and related executory and contracts and unexpired leases from November 7, 2018 at 10:00 a.m. to December 12, 2018 at 10:00 a.m. (BNC-PDF) (Related Doc # 737) Signed on 11/2/2018 (Lewis, Litaun) (Entered: 11/02/2018)
11/02/2018	747 (13 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Order on Debtors' Motion Establishing Procedures for Monthly Payment of Fees and Expense Reimbursement* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)661 Order on Generic Motion (BNC-PDF)). (Moyron, Tania) (Entered: 11/02/2018)
11/02/2018	748 (34 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 693, 697, 706, 707, 708 and 709* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)693 Order on Generic Motion (BNC-PDF), 697 Stipulation and ORDER thereon (BNC-PDF), 707 Notice). (Moyron, Tania) (Entered: 11/02/2018)
11/02/2018	749 (23 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 671, 672, 673, 674 and 680* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)671 Stipulation By Verity Health System of California, Inc. and *UMB Bank N.A. as Successor Master Trustee for the Master Indenture Obligations, and U.S. Bank National Association, as Series 2015 Note Collateral Agent and Note Trustee, and U.S. Bank N, 672 Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)), 673 Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)), 674 Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)), 680 Declaration). (Moyron, Tania) (Entered: 11/02/2018)*

11/02/2018	750 (22 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 712, 713, and 718* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)712 Order on Application to Employ (BNC-PDF), 713 Order on Application to Employ (BNC-PDF), 718 Supplemental). (Moyron, Tania) (Entered: 11/02/2018)
11/02/2018	751 (3 pgs)	Order (1) Granting Application of Patient Care Ombudsman to Employ Levene, Neale, Bender, Yoo & Brill, LLP as Bankruptcy Counsel and (2) Vacating hearing on application (BNC-PDF) (Related Doc # 483) Signed on 11/2/2018. (Lewis, Litaun) (Entered: 11/02/2018)
11/02/2018	752 (3 pgs)	Supplemental *Declaration of Henry C. Kevane In Support of Debtors Application To Employ Pachulski Stang Ziehl & Jones LLP As Bankruptcy Co-Counsel* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 11/02/2018)
11/02/2018	753 (3 pgs)	Order (1) Granting Application of Patient Care Ombudsman to employ Dr. Tim Stacy DNP, ACNP-BC as Consultant and (2) Vacating hearing on application. (BNC-PDF) (Related Doc # 484) Signed on 11/2/2018. (Lewis, Litaun) (Entered: 11/02/2018)
11/02/2018	754 (83 pgs)	Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)) *re: Application of Official Committee of Unsecured Creditors under 11 U.S.C. 1103 and Fed. R. Bankr. P. 2014 and 5002, for Order Authorizing Retention and Employment of Milbank, Tweed, Hadley & McCloy LLP as Counsel, Effective as of September 14, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.. (Behrens, James) (Entered: 11/02/2018)
11/02/2018	755 (5 pgs)	Stipulation By Verity Health System of California, Inc. and *Hartford Fire Insurance Company; Stipulation for Entry of an Order Resolving Motion for Relief From Stay Filed by Hartford Fire Insurance Company* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 11/02/2018)
11/02/2018	756 (38 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)724 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF)) No. of Notices: 3. Notice Date 11/02/2018. (Admin.) (Entered: 11/02/2018)
11/02/2018	757 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)725 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 11/02/2018. (Admin.) (Entered: 11/02/2018)
11/02/2018	758 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)726 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 11/02/2018. (Admin.) (Entered: 11/02/2018)
11/02/2018	759 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)727 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 11/02/2018. (Admin.) (Entered: 11/02/2018)
11/02/2018	760 (12 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)728 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 11/02/2018. (Admin.) (Entered: 11/02/2018)
11/03/2018	761 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)735 Order on Generic Motion (BNC-PDF)) No. of Notices: 3. Notice Date 11/03/2018. (Admin.) (Entered: 11/03/2018)

11/03/2018	762 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)736 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 11/03/2018. (Admin.) (Entered: 11/03/2018)
11/04/2018	763 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)745 ORDER to continue/reschedule hearing (BNC-PDF)) No. of Notices: 3. Notice Date 11/04/2018. (Admin.) (Entered: 11/04/2018)
11/04/2018	764 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)746 ORDER to continue/reschedule hearing (BNC-PDF)) No. of Notices: 3. Notice Date 11/04/2018. (Admin.) (Entered: 11/04/2018)
11/04/2018	765 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)751 Order on Application to Employ (BNC-PDF)) No. of Notices: 3. Notice Date 11/04/2018. (Admin.) (Entered: 11/04/2018)
11/04/2018	766 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)753 Order on Application to Employ (BNC-PDF)) No. of Notices: 3. Notice Date 11/04/2018. (Admin.) (Entered: 11/04/2018)
11/05/2018	767 (3 pgs)	Order Granting Application to Employ Cain Brothers a division of KeyBanc Capital Markets (BNC-PDF) (Related Doc # 346) Signed on 11/5/2018. (Lomeli, Lydia R.) (Entered: 11/05/2018)
11/05/2018	768 (30 pgs)	Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)) Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)493 Application to Employ Berkeley Research Group, LLC as Financial Advisor *Debtors Application For Entry Of An Order Authorizing Employment Of Berkeley Research Group, LLC As Financial Advisor To The Debtors Nunc Pro Tunc To The Petition Date; Declarati). (Moyron, Tania) (Entered: 11/05/2018)*
11/05/2018	769 (7 pgs)	Response to (related document(s): 631 Motion */Notice of Motion For Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan; Memorandum of Points and Authorities In Support Thereof; Declarations of Richard G. Adcock and Christopher J. filed by Debtor Verity Health System of California, Inc.) Filed by U.S. Trustee United States Trustee (LA) (Mar, Alvin) (Entered: 11/05/2018)*
11/05/2018	770 (7 pgs)	Response to (related document(s): 631 Motion */Notice of Motion For Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan; Memorandum of Points and Authorities In Support Thereof; Declarations of Richard G. Adcock and Christopher J. filed by Debtor Verity Health System of California, Inc.) Filed by U.S. Trustee United States Trustee (LA) (Yip, Hatty) (Entered: 11/05/2018)*
11/05/2018	771 (46 pgs)	Monthly Operating Report. Operating Report Number: One. For the Month Ending September 30, 2018 *Monthly Operating Report Disbursement Summary* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 11/05/2018)
11/05/2018	772 (12 pgs)	Response to (related document(s): 515 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: . Fee Amount $181, filed by Creditor Maria Zavala, Creditor Florencio Zabala) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/05/2018)
11/05/2018	773 (2 pgs)	Stipulation By Verity Health System of California, Inc. and *Mirman, Bubman & Nahmias, LLP, Regarding Extension To Respond And Reply To Motion For*

		Relief From Automatic Stay Filed By Josefina Robles [Relates to Docket No. 696] Filed by Debtor Verity Health System of California, Inc. (Moe, John) WAENING: See entry 774 for corrective action. Attorney to lodge order via LOU. Modified on 11/5/2018 (Lomeli, Lydia R.). (Entered: 11/05/2018)
11/05/2018	774	Notice to Filer of Error and/or Deficient Document **Other -** WARNING: Attorney to lodge order via LOU. (RE: related document(s)773 Stipulation filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 11/05/2018)
11/05/2018	775 (2 pgs)	Response to motion for order to terminate, annul, modify or condition the automatic stay and declaration(s) in support (related document(s): 704 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Medical Malpractice Claim *against O'Connor Hospital*. Fee Amount $181, filed by Creditor Refugio Estrada) *Debtors Response To Motion For Relief From The Automatic Stay Filed On Behalf Of Refugio Estrada And Marquez Estrada* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 11/05/2018)
11/05/2018	776 (3 pgs)	Response to motion for order to terminate, annul, modify or condition the automatic stay and declaration(s) in support (related document(s): 582 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Noble Williams v St Vincent Medical Center, et al., BC683258. Fee Amount $181, filed by Creditor Noble Williams) *Debtors Response To Motion For Relief From The Automatic Stay Filed On Behalf Of Nobel Williams* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 11/05/2018)
11/05/2018	777 (12 pgs)	Response to (related document(s): 696 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Robles v. St. Francis Medical Center, Case No. BC697012 . Fee Amount $181, filed by Creditor Josefina Robles) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/05/2018)
11/06/2018	778 (4 pgs)	Order Granting Application to Employ Milbank, Tweed, Hadley & Mccloy (BNC-PDF) (Related Doc # 566) Signed on 11/6/2018. (Lomeli, Lydia R.) (Entered: 11/06/2018)
11/06/2018	779 (3 pgs)	Order Approving Stipulation With Hartford Fire Insurance Company And Resolving Motion For Relief From Stay (BNC-PDF) (Related Doc # 755) Signed on 11/6/2018 (Lomeli, Lydia R.) (Entered: 11/06/2018)
11/06/2018	780 (2 pgs)	Order Approving Stipulation Regarding Extension To Respond And Reply To Motion For Relief From Automatic Stay Filed By Josefina Robles . The Debtors will have through and including Wednesday, November 7, 2018, to respond to the Motion For Relief From Automatic Stay filed on behalf of Josefina Robles [Docket No. 696]; and, That the Movant will have through and including Wednesday, November 14, 2018, to reply to the Debtors' Response. (BNC-PDF) (Related Doc # 773) Signed on 11/6/2018 (Lomeli, Lydia R.) (Entered: 11/06/2018)
11/06/2018	781 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Block, Karl. (Block, Karl) (Entered: 11/06/2018)
11/07/2018	782 (4 pgs)	Hearing Held re (RE: related document(s)254 Motion Debtors' Notice of Motion and Motion to Reject Health System Management Agreement with Integrity Healthcare, LLC; filed by Debtor Verity Health System of California,

		Inc.) (see ruling attached). Party to lodge order: Movant. Granted. (Lomeli, Lydia R.) (Entered: 11/07/2018)
11/07/2018	783 (5 pgs)	Hearing Held (RE: related document(s)515 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Maria Zavala, Creditor Florencio Zabala) (see ruling attached). Party to lodge order: Movant. e Motion is GRANTED; however, the order granting the Motion shall not take effect until January 15, 2019. (Lomeli, Lydia R.) (Entered: 11/07/2018)
11/07/2018	784 (6 pgs)	Hearing Held (RE: related document(s)410 Motion to approve compromise filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Party to lodge order: Movant. Motion is GRANTED in its entirety. (Lomeli, Lydia R.) Additional attachment(s) added on 11/7/2018 (Lomeli, Lydia R.). (Entered: 11/07/2018)
11/07/2018	785 (2 pgs)	Order Granting Application to Employ Berkeley Research Group LLC (BNC-PDF) (Related Doc # 493) Signed on 11/7/2018. (Lomeli, Lydia R.) (Entered: 11/07/2018)
11/07/2018	786 (32 pgs)	Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)) Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)421 Application to Employ Pachulski Stang Ziehl & Jones LLP as Co-Counsel for the Debtors). (Moyron, Tania) (Entered: 11/07/2018)
11/07/2018	787 (64 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 723, 724, 725 and 729* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)723 Stipulation By Verity Health System of California, Inc. and *Santa Clara County; Stipulation Continuing Hearing Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances (Relates to Docket No. 714)*, 724 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF), 725 Stipulation and ORDER thereon (BNC-PDF), 729 Notice). (Moyron, Tania) (Entered: 11/07/2018)
11/07/2018	788 (31 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 735, 736, 737 and 738* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)735 Order on Generic Motion (BNC-PDF), 736 Stipulation and ORDER thereon (BNC-PDF), 737 Stipulation By Verity Health System of California, Inc. and *Cigna Healthcare of California, Inc. and Cigna Health and Life Insurance Company; Stipulation with Cigna Healthcare Continuing Hearing Regarding Motion to Reject Professional Services Ag, 738 Stipulation By Verity Health System of California, Inc. and Sports, Orthopedic and Rehabilitation Associates; Stipulation Continuing Hearing Regarding Motion to Reject Professional Services Agreement with Sports, Orthopedic and Rehabilitation Ass). (Moyron, Tania) (Entered: 11/07/2018)*
11/07/2018	789 (32 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 728, 730, 731 and 732* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)728 Order (Generic) (BNC-PDF)). (Moyron, Tania) (Entered: 11/07/2018)
11/07/2018	790 (26 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 745, 746, 752 and 755* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)745 ORDER to continue/reschedule hearing (BNC-PDF), 746 ORDER to continue/reschedule hearing (BNC-PDF), 752 Supplemental, 755 Stipulation By Verity Health System of California, Inc. and *Hartford Fire Insurance Company; Stipulation for Entry of an Order Resolving Motion for Relief From Stay Filed by Hartford Fire Insurance Company*). (Moyron, Tania) (Entered: 11/07/2018)

11/07/2018	791 (6 pgs)	Response to motion for order to terminate, annul, modify or condition the automatic stay and declaration(s) in support (related document(s): 696 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Robles v. St. Francis Medical Center, Case No. BC697012 . Fee Amount $181, filed by Creditor Josefina Robles) *Debtors Response To Motion For Relief From The Automatic Stay Filed On Behalf Of Josefina Robles By And Through Her Conservator Sergio Robles [Docket No. 696]* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 11/07/2018)
11/07/2018	792 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)767 Order on Application to Employ (BNC-PDF)) No. of Notices: 3. Notice Date 11/07/2018. (Admin.) (Entered: 11/07/2018)
11/08/2018	793 (6 pgs)	Notice of lodgment *of Order Re: Movant's Motion for Relief of Automatic Stay in Nonbankruptcy Forum (ECF No. 515); with Proof of Service* Filed by Creditor Maria Zavala (RE: related document(s)515 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: . Fee Amount $181, Filed by Creditors Florencio Zabala, Maria Zavala (Attachments: # 1 Exhibit A)). (Polis, Thomas) (Entered: 11/08/2018)
11/08/2018	794 (2 pgs)	Order Granting Debtors' Motion To Reject The Management Agreement With Integrity Healthcare, LLC [Relates to Docket No. 254] (BNC-PDF) (Related Doc # 254) Signed on 11/8/2018 (Lomeli, Lydia R.) (Entered: 11/08/2018)
11/08/2018	795 (7 pgs)	Notice *and Request for Removal of Email and United States Mail Notifications* Filed by Debtor Verity Health System of California, Inc.. (Chenetz, Sara) (Entered: 11/08/2018)
11/08/2018	796 (5 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)778 Order on Application to Employ (BNC-PDF)) No. of Notices: 3. Notice Date 11/08/2018. (Admin.) (Entered: 11/08/2018)
11/08/2018	797 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)779 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 11/08/2018. (Admin.) (Entered: 11/08/2018)
11/08/2018	798 (7 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)780 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 11/08/2018. (Admin.) (Entered: 11/08/2018)
11/09/2018	799 (8 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(B)* Filed by Creditor Roche Diagnostics Corporation (Laurin, Paul) re DAVID M. POWLEN, Modified on 11/9/2018 (Lomeli, Lydia R.). (Entered: 11/09/2018)
11/09/2018	800 (8 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Creditor Roche Diagnostics Corporation (Laurin, Paul) re KEVIN G COLLINS, Modified on 11/9/2018 (Lomeli, Lydia R.). (Entered: 11/09/2018)
11/09/2018	801 (9 pgs)	Notice of Appearance and Request for Notice by Paul J Laurin Filed by Creditor Roche Diagnostics Corporation. (Laurin, Paul) (Entered: 11/09/2018)
11/09/2018	802 (28 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket 767, 768, 771, 773, 775 and 776* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)767 Order on Application to Employ (BNC-PDF), 768 Declaration That No Party Requested

		a Hearing on Motion (LBR 9013-1(o)(3)), 771 Monthly Operating Report, 773 Stipulation By Verity Health System of California, Inc. and *Mirman, Bubman & Nahmias, LLP, Regarding Extension To Respond And Reply To Motion For Relief From Automatic Stay Filed By Josefina Robles [Relates to Docket No. 696]*). (Moyron, Tania) (Entered: 11/09/2018)
11/09/2018	803 (22 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket 785, 786 and 791* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)785 Order on Application to Employ (BNC-PDF), 786 Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3))). (Moyron, Tania) (Entered: 11/09/2018)
11/09/2018	804 (21 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket 779 and 780* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)779 Stipulation and ORDER thereon (BNC-PDF), 780 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 11/09/2018)
11/09/2018	805 (60 pgs)	Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)664 Application *Pursuant to Fed. R. Bankr. P. 2014(a) for Order Under Section 1103 of the Bankruptcy Code Authorizing the Employment and Retention of FTI Consulting, Inc. as Financial Advisor to the Office Committee of Unsecured Creditors Nunc Pro Tunc t). (Behrens, James) (Entered: 11/09/2018)*
11/09/2018	806 (37 pgs)	Declaration re: *Executed Declarations In Support Of The Retention Of The Law Offices Of Michael D. Gonzalez; Fraser Watson & Croutch, LLP; Outside GC CA, LLC; Van De Poel, Levy, Arneal & Serot, LLP; Alston & Bird LLP; Squire Patton Boggs (US) LLP; And, PriceWaterhouseCooper, LLP, As Ordinary Course Professionals* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)364 Motion *Notice Of Motion And Motion For An Order Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Elspeth). (Moe, John) (Entered: 11/09/2018)*
11/09/2018	807 (1 pg)	Notice / Receipt LA180044, $800 pro hac vice fees. Filed by Attorney David M Powlen (RE: related document(s)799 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(B)* Filed by Creditor Roche Diagnostics Corporation (Laurin, Paul) re DAVID M. POWLEN, Modified on 11/9/2018 (Lomeli, Lydia R.)., 800 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Creditor Roche Diagnostics Corporation (Laurin, Paul) re KEVIN G COLLINS, Modified on 11/9/2018 (Lomeli, Lydia R.).). (Lomeli, Lydia R.) (Entered: 11/09/2018)
11/09/2018	808 (3 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)785 Order on Application to Employ (BNC-PDF)) No. of Notices: 3. Notice Date 11/09/2018. (Admin.) (Entered: 11/09/2018)
11/10/2018	809 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)794 Order on Generic Motion (BNC-PDF)) No. of Notices: 3. Notice Date 11/10/2018. (Admin.) (Entered: 11/10/2018)
11/12/2018	810 (39 pgs; 3 docs)	Notice *to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May Be Assumed and Assigned* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion*

		And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Attachments: # 1 Exhibit A Part 1 # 2 Exhibit A Part 2) (Maizel, Samuel) (Entered: 11/12/2018)
11/12/2018	811 (6 pgs)	Response to motion for order to terminate, annul, modify or condition the automatic stay and declaration(s) in support (related document(s): 717 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: *Medical Negligence*. Fee Amount $181, filed by Creditor Aida Iniguez, Creditor Francisco Iniguez) *Debtors' Response to Motion for Relief from the Automatic Stay Filed on Behalf of Aida Iniquez and Francisco Iniquez* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 11/12/2018)
11/13/2018	812 (18 pgs)	Notice of Hearing *on Motion for Amendment of Findings in Final Order (I) Authorizing Postpetition Financing [...]; and Reply in Support of Motion* Filed by Creditor Swinerton Builders (RE: related document(s)564 Motion to Amend (related document(s)409 Order on Motion to Use Cash Collateral (BNC-PDF)) *Pursuant to Rule 7052(b) for Amendment of Findings in Final Order (I) Authorizing Postpetition Financing [...]* Filed by Creditor Swinerton Builders). (Schultz, Nathan) (Entered: 11/13/2018)
11/13/2018	813	Hearing Set (RE: related document(s)564 Motion to Amend filed by Creditor Swinerton Builders) The Hearing date is set for 12/4/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 11/13/2018)
11/13/2018	814 (6 pgs)	Hearing Held (RE: related document(s)631 Motion For Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan; filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Party to lodge order: Movant. Granted. (Lomeli, Lydia R.) Additional attachment(s) added on 11/13/2018 (Lomeli, Lydia R.). (Entered: 11/13/2018)
11/13/2018	815 (58 pgs)	Motion *Notice of Motion and Motion for Entry of an Order to Authorize Debtors to Refund Prepetition Patient Deposits and Overpayments; Memorandum of Points and Authorities in Support Thereof; Declaration of Richard G. Adcock in Support* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/13/2018)
11/14/2018	816 (8 pgs)	Notice of Appearance and Request for Notice *with Proof of Service* by Mark A Neubauer Filed by Creditor Angeles IPA A Medical Corporation. (Neubauer, Mark) (Entered: 11/14/2018)
11/14/2018	817	Hearing Set (RE: related document(s)815 Motion For Entry Of An Order To Authorize Debtors To Refund Prepetition Patient Deposits And Overpayments filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 12/5/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 11/14/2018)
11/14/2018	818	Order To Employ Pachulski Stang Ziehl & Jones Llp As Bankruptcy Co-

	(2 pgs)	Counsel Nunc Pro Tunc To The Petition Date (BNC-PDF) (Related Doc # 421) Signed on 11/14/2018. (Lomeli, Lydia R.) (Entered: 11/14/2018)
11/14/2018	819 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Order Granting Debtors' Motion to Reject the Management Agreement with Integrity Healthcare, LLC* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)794 Order on Generic Motion (BNC-PDF)). (Moyron, Tania) (Entered: 11/14/2018)
11/14/2018	820 (16 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Executed Declarations In Support of the Retention of the Law Offices of Michael D. Gonzalez; Fraser Watson & Croutch, LLP; Outside GC CA, LLC; Van De Poel, Levy, Arneal & Serot, LLP; Alston & Bird LLP; Squire Patton Boggs (US) LLP; and Pricewaterhousecooper, LLP as Ordinary Course Professionals* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)806 Declaration). (Moyron, Tania) (Entered: 11/14/2018)
11/14/2018	821 (2 pgs)	Order Granting Debtors' Motion For Entry Of An Order Pursuant To 11 U.S.C. ﬀ 363 And 105 And Fed. R. Bankr. P. 9019 Authorizing Entry Into New Collective Bargaining Agreements With International Union Of Operating Engineers, Stationary Engineers, Local 39 [Relates To Docket No. 410] (BNC-PDF) (Related Doc # 410) Signed on 11/14/2018 (Lomeli, Lydia R.) (Entered: 11/14/2018)
11/14/2018	822 (4 pgs)	Order Authorizing Retention Of FTI Consulting, Inc. As Financial Advisor To The Official Committee Of Unsecured Creditors Nunc Pro Tunc To September 14, 2018 (BNC-PDF) (Related Doc # 664) Signed on 11/14/2018 (Lomeli, Lydia R.) (Entered: 11/14/2018)
11/14/2018	823 (14 pgs)	Reply to (related document(s): 777 Response filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al., 791 Response to motion for order to terminate, annul, modify or condition the automatic stay and declaration(s) in support filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Josefina Robles (Biegenzahn, Stephen) (Entered: 11/14/2018)
11/15/2018	824 (12 pgs)	Response to (related document(s): 582 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Noble Williams v St Vincent Medical Center, et al., BC683258. Fee Amount $181, filed by Creditor Noble Williams) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/15/2018)
11/15/2018	825 (12 pgs)	Response to (related document(s): 704 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Medical Malpractice Claim *against O'Connor Hospital*. Fee Amount $181, filed by Creditor Refugio Estrada) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/15/2018)
11/16/2018	826 (5 pgs)	Amended Order On Debtors' Motion Establishing Procedures For Monthly Payment Of Fees And Expense Reimbursement (BNC-PDF) (Related Doc # 363) Signed on 11/16/2018 (Lomeli, Lydia R.) (Entered: 11/16/2018)
11/16/2018	827 (23 pgs)	Declaration re: *Executed Declarations In Support Of The Retention Of Certain Ordinary Course Professionals Re Motion Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business* Filed by Debtor Verity Health System of California, Inc.

		(RE: related document(s)364 Motion *Notice Of Motion And Motion For An Order Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Elspeth). (Moe, John) (Entered: 11/16/2018)*
11/16/2018	828 (14 pgs)	Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 8/31/2018 to 9/30/2018, Fee: $6756.80, Expenses: $0. Filed by Special Counsel Nelson Hardiman LLP (Shirley, Rosa) (Entered: 11/16/2018)
11/16/2018	829 (16 pgs)	Motion *Debtor's Notice of Motion and Motion for Entry of an Order Authorizing Entry Into New Collective Bargaining Agreement with Engineers and Scientists of California Local 20, IFPTE; Memorandum of Points and Authorities; Declaration of Steven C. Sharrer* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/16/2018)
11/16/2018	830 (14 pgs)	Proof of service *Application for Compensation, Period 8/31/2018 to 9/30/2018* Filed by Special Counsel Nelson Hardiman LLP. (Shirley, Rosa) (Entered: 11/16/2018)
11/16/2018	831 (3 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)818 Order on Application to Employ (BNC-PDF)) No. of Notices: 3. Notice Date 11/16/2018. (Admin.) (Entered: 11/16/2018)
11/16/2018	832 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)821 Order on Motion to Approve Compromise (BNC-PDF)) No. of Notices: 3. Notice Date 11/16/2018. (Admin.) (Entered: 11/16/2018)
11/16/2018	833 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)822 Order on Generic Application (BNC-PDF)) No. of Notices: 3. Notice Date 11/16/2018. (Admin.) (Entered: 11/16/2018)
11/17/2018	834 (72 pgs; 2 docs)	Errata *Attaching Exhibit "1" to Motion* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)829 Motion *Debtor's Notice of Motion and Motion for Entry of an Order Authorizing Entry Into New Collective Bargaining Agreement with Engineers and Scientists of California Local 20, IFPTE; Memorandum of Points and Authorities; Declaration of Steven). (Attachments: # 1 Exhibit 1. Tentative Agreement) (Moyron, Tania) (Entered: 11/17/2018)*
11/18/2018	835 (11 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)826 Order on Generic Motion (BNC-PDF)) No. of Notices: 3. Notice Date 11/18/2018. (Admin.) (Entered: 11/18/2018)
11/19/2018	836	Hearing Set (RE: related document(s)829 Generic Motion filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 12/12/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 11/19/2018)
11/19/2018	837 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Christianson, Shawn. (Christianson, Shawn) (Entered: 11/19/2018)
11/19/2018	838	Hearing Held (RE: related document(s)582 Motion for Relief from - Granted. Party to lodge order: Movant. (Lomeli, Lydia R.) (Entered: 11/19/2018)
11/19/2018	839 (6 pgs)	Hearing Held (RE: related document(s)696 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Josefina Robles) (see ruling attached). GRANTED; however, the order granting the

		Motion shall not take effect until January 11, 2019. Party to lodge order: Movant (Lomeli, Lydia R.) Additional attachment(s) added on 11/19/2018 (Lomeli, Lydia R.). Additional attachment(s) added on 11/19/2018 (Lomeli, Lydia R.). (Entered: 11/19/2018)
11/19/2018	840	Hearing Held (RE: related document(s)704 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Refugio Estrada) - Granted. Party to lodge order: Movant. (Lomeli, Lydia R.) (Entered: 11/19/2018)
11/19/2018	841 (2 pgs)	Order Granting motion for relief from automatic stay ACTION IN NON-BANKRUPTCY FORUM (BNC-PDF) (Related Doc # 515) Signed on 11/19/2018 (Lomeli, Lydia R.) (Entered: 11/19/2018)
11/19/2018	842 (14 pgs)	Notice of lodgment Filed by Creditor Josefina Robles (RE: related document(s)696 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Robles v. St. Francis Medical Center, Case No. BC697012 . Fee Amount $181,). (Biegenzahn, Stephen) (Entered: 11/19/2018)
11/19/2018	843 (14 pgs; 2 docs)	Reply to (related document(s): 811 Response to motion for order to terminate, annul, modify or condition the automatic stay and declaration(s) in support filed by Debtor Verity Health System of California, Inc.) *Declaration of Mariam Danielyan in Support Thereof* Filed by Creditors Aida Iniguez, Francisco Iniguez (Attachments: # 1 Proof of Service of Document) (Danielyan, Mariam) (Entered: 11/19/2018)
11/20/2018	844 (7 pgs)	Notice of lodgment Filed by Creditor Roche Diagnostics Corporation (RE: related document(s)800 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Creditor Roche Diagnostics Corporation (Laurin, Paul) re KEVIN G COLLINS, Modified on 11/9/2018 (Lomeli, Lydia R.).). (Laurin, Paul) (Entered: 11/20/2018)
11/20/2018	845 (7 pgs)	Notice of lodgment Filed by Creditor Roche Diagnostics Corporation (RE: related document(s)799 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(B)* Filed by Creditor Roche Diagnostics Corporation (Laurin, Paul) re DAVID M. POWLEN, Modified on 11/9/2018 (Lomeli, Lydia R.).). (Laurin, Paul) (Entered: 11/20/2018)
11/20/2018	846 (1 pg)	Withdrawal of Claim(s): 3 Filed by Creditor Ecolab Institutional . (Arias, Jose) (Entered: 11/20/2018)
11/20/2018	847 (28 pgs)	Motion *Debtors Notice Of Motion And Motion For An Order Authorizing Debtors To Pay Certain Prepetition Conduit Claims; Memorandum Of Points And Authorities; Declaration Of Mary Eileen Drees* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/20/2018)
11/20/2018	848 (2 pgs)	Order Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule re Kevin G. Collins (BNC-PDF) (Related Doc # 800) Signed on 11/20/2018 (Lomeli, Lydia R.) (Entered: 11/20/2018)
11/20/2018	849 (2 pgs)	Order Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule re David M. Powlen (BNC-PDF) (Related Doc # 799) Signed on 11/20/2018 (Lomeli, Lydia R.) (Entered: 11/20/2018)
11/21/2018	850	Hearing Set (RE: related document(s)847 Generic Motion filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 12/12/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA

		90012. The case judge is Ernest M. Robles (Evangelista, Maria) (Entered: 11/21/2018)
11/21/2018	851 (4 pgs)	Request for judicial notice Filed by Creditor Golden GatePerfusion Inc. (Nelson, Sheila) WARNING: See docket entry no. # 856 for corrective entry; Modified on 11/21/2018 (Evangelista, Maria). (Entered: 11/21/2018)
11/21/2018	852 (26 pgs)	Application for Compensation *Levene, Neale, Bender, Yoo & Brill's Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period October 1, 2018 Through October 31, 2018* for Levene, Neale, Bender, Yoo & Brill L.L.P., General Counsel, Period: 10/1/2018 to 10/31/2018, Fee: $32,708.55, Expenses: $170.15. Filed by Attorney Levene, Neale, Bender, Yoo & Brill L.L.P. (Bender, Ron) (Entered: 11/21/2018)
11/21/2018	853 (496 pgs; 5 docs)	Application for Compensation *Dentons US LLP's First Professional Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the period August 31, 2018 to September 30, 2018* for Samuel R Maizel, Debtor's Attorney, Period: 8/31/2018 to 9/30/2018, Fee: $939,780.37, Expenses: $40,079.18. Filed by Attorney Samuel R Maizel (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D) (Maizel, Samuel) (Entered: 11/21/2018)
11/21/2018	854 (24 pgs)	Application for Compensation *Patient Care Ombudsman's Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period October 1, 2018 Through October 31, 2018 For Himself And For Dr. Tim Stacy DNP, ACNP-BC* for Jacob Nathan Rubin, Ombudsman Health, Period: 10/1/2018 to 10/31/2018, Fee: $85,604.00, Expenses: $. Filed by Health Care Ombudsman Jacob Nathan Rubin (Bender, Ron) (Entered: 11/21/2018)
11/21/2018	855 (12 pgs)	Response to (related document(s): 815 Motion *Notice of Motion and Motion for Entry of an Order to Authorize Debtors to Refund Prepetition Patient Deposits and Overpayments; Memorandum of Points and Authorities in Support Thereof; Declaration of Richard G. Adcock in Support* filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/21/2018)
11/21/2018	856	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. Attorney to file using docket event code "Request for special notice" THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT.** (RE: related document(s)851 Request for judicial notice filed by Creditor Golden GatePerfusion Inc) (Evangelista, Maria) (Entered: 11/21/2018)
11/21/2018	857 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)841 Motion for relief from automatic stay ACTION IN NON-BANKRUPTCY FORUM (BNC-PDF)) No. of Notices: 3. Notice Date 11/21/2018. (Admin.) (Entered: 11/21/2018)
11/22/2018	858 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)848 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 3. Notice Date 11/22/2018. (Admin.) (Entered: 11/22/2018)
11/22/2018	859 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)849 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 3. Notice Date 11/22/2018. (Admin.) (Entered: 11/22/2018)

11/23/2018	860 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Winsten, Michael. (Winsten, Michael) (Entered: 11/23/2018)
11/26/2018	861 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 811 and 815* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)815 Motion *Notice of Motion and Motion for Entry of an Order to Authorize Debtors to Refund Prepetition Patient Deposits and Overpayments; Memorandum of Points and Authorities in Support Thereof; Declaration of Richard G. Adcock in Support*). (Moyron, Tania) (Entered: 11/26/2018)
11/26/2018	862 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 818 and 821* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)818 Order on Application to Employ (BNC-PDF), 821 Order on Motion to Approve Compromise (BNC-PDF)). (Moyron, Tania) (Entered: 11/26/2018)
11/26/2018	863 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 826 and 827* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)826 Order on Generic Motion (BNC-PDF), 827 Declaration). (Moyron, Tania) (Entered: 11/26/2018)
11/26/2018	864 (18 pgs)	Notice -*[Notice Pursuant To Federal Rule Of Bankruptcy Procedure 2015.1(A) By Patient Care Ombudsmsan (POS Attached)]*- Filed by Health Care Ombudsman Jacob Nathan Rubin. (Kim, Monica) (Entered: 11/26/2018)
11/26/2018	865 (45 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 724 and 810* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)724 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF), 810 Notice). (Moyron, Tania) (Entered: 11/26/2018)
11/26/2018	866 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 829 and 834* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)829 Motion *Debtor's Notice of Motion and Motion for Entry of an Order Authorizing Entry Into New Collective Bargaining Agreement with Engineers and Scientists of California Local 20, IFPTE; Memorandum of Points and Authorities; Declaration of Steven, 834 Errata). (Moyron, Tania) (Entered: 11/26/2018)*
11/26/2018	867 (5 pgs)	Hearing Held (RE: related document(s)717 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Aida Iniguez, Creditor Francisco Iniguez) (see ruling attached).Party to lodge order: Movant. Granted. (Lomeli, Lydia R.) Additional attachment(s) added on 11/26/2018 (Lomeli, Lydia R.). (Entered: 11/26/2018)
11/26/2018	868 (28 pgs)	Application for Compensation *Pachulski Stang Ziehl & Jones LLPS Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period September 1, 2018 October 31, 2018* for Pachulski Stang Ziehl & Jones LLP, Debtor's Attorney, Period: 9/1/2018 to 10/31/2018, Fee: $49709.70, Expenses: $786.72. Filed by Attorney Pachulski Stang Ziehl & Jones LLP (Cho, Shirley) (Entered: 11/26/2018)
11/26/2018	869 (44 pgs)	Application *FTI Consulting, Inc.'s First Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of September 14, 2018 - September 30, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/26/2018)

11/26/2018	870 (59 pgs)	Application *FTI Consulting, Inc.'s Second Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of October 1, 2018 - October 31, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/26/2018)
11/26/2018	871 (64 pgs)	Application *Milbank, Tweed, Hadley & McCloy LLP's First Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of September 14, 2018 - September 30, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/26/2018)
11/26/2018	872 (98 pgs)	Application *Milbank, Tweed, Hadley & McCloy LLP's Second Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of October 1, 2018 - October 31, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/26/2018)
11/27/2018	873 (7 pgs)	Order Granting motion for relief from automatic stay ACTION IN NON-BANKRUPTCY FORUM (BNC-PDF) (Related Doc # 704) Signed on 11/27/2018 (Lomeli, Lydia R.) (Entered: 11/27/2018)
11/27/2018	874 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *UnitedHealthcare Insurance Company; Stipulation Extending Deadline for UnitedHealthcare Insurance Company to File Assumption Objection* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/27/2018)
11/27/2018	875 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Cardinal Health; Stipulation Extending Deadline for Cardinal Health to File Assumption Objection* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/27/2018)
11/27/2018	876 (24 pgs)	Notice *Debtors' Notice of Filing of Redline to Key Employee Incentive Plan and Key Employee Retention Plan* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)631 Motion */Notice of Motion For Entry of Order Authorizing and Approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan; Memorandum of Points and Authorities In Support Thereof; Declarations of Richard G. Adcock and Christopher J. Kearns Filed Concurrently Herewith* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A - VERITY KEIP PLAN # 2 Exhibit B - VERITY KERP PLAN)). (Moyron, Tania) (Entered: 11/27/2018)
11/27/2018	877 (8 pgs)	Order Granting motion for relief from automatic stay ACTION IN NON-BANKRUPTCY FORUM (BNC-PDF) (Related Doc # 696) Signed on 11/27/2018 (Lomeli, Lydia R.) (Entered: 11/27/2018)
11/27/2018	878 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *US Foods; Stipulation Extending Deadline for US foods to File Assumption Objection* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/27/2018)
11/27/2018	879 (48 pgs)	Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 10/1/2018 to 10/31/2018, Fee: $92,597.36, Expenses: $0. Filed by Special Counsel Nelson Hardiman LLP (Shirley, Rosa) (Entered: 11/27/2018)
11/27/2018	880 (14 pgs)	Proof of service *by NEF and U.S. and Overnight Mail* Filed by Special Counsel Nelson Hardiman LLP (RE: related document(s)879 Application for

		Compensation for Nelson Hardiman LLP, Special Counsel, Period: 10/1/2018 to 10/31/2018, Fee: $92,597.36, Expenses: $0.). (Shirley, Rosa) (Entered: 11/27/2018)
11/27/2018	881 (4 pgs)	Notice of lodgment *of Order or Judgment in Adversary Proceeding* Filed by Creditor Noble Williams (RE: related document(s)582 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Noble Williams v St Vincent Medical Center, et al., BC683258. Fee Amount $181, Filed by Creditor Noble Williams (Lomeli, Lydia R.)). (Moe, John) (Entered: 11/27/2018)
11/28/2018	882 (123 pgs; 3 docs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) */Smith & Nephew Inc.'s Objection to Proposed Cure Amounts for Assumed Executory Contracts* Filed by Creditor Smith & Nephew, Inc. (Attachments: # 1 Declaration # 2 Proof of Service) (Eckhardt, Kevin) (Entered: 11/28/2018)
11/28/2018	883 (80 pgs; 6 docs)	Application for Compensation *Berkeley Research Group, LLC's First Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period August 31, 2018 Through September 30, 2018* for Berkeley Research Group LLC, Financial Advisor, Period: 8/31/2018 to 9/30/2018, Fee: $501,317.60, Expenses: $25,190.91. Filed by Financial Advisor Berkeley Research Group LLC (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E) (Moyron, Tania) (Entered: 11/28/2018)
11/28/2018	884 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Cigna Healthcare of California, Inc. and Cigna Health and Life Insurance Company; Stipulation with Cigna Healthcare Regarding Motion to Reject Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/28/2018)
11/28/2018	885 (12 pgs)	Response to (related document(s): 847 Motion *Debtors Notice Of Motion And Motion For An Order Authorizing Debtors To Pay Certain Prepetition Conduit Claims; Memorandum Of Points And Authorities; Declaration Of Mary Eileen Drees* filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 11/28/2018)
11/28/2018	886 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *American VitalCare, Inc. and Pharmacy Corporation of America; Stipulation Extending Deadline for American VitalCare, Inc. and Pharmacy Corporation of America to File Assumption Objections* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/28/2018)
11/28/2018	887 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Medtronic USA Inc.; Stipulation Extending Deadline for Medtronic to File Assumption Objection* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/28/2018)
11/28/2018	888 (2 pgs)	Order Setting December 5, 2018 As Consolidated Hearing Date For Matters Initially Noticed For December 4 And 5, 2018 . The hearing on the Motion Pursuant to Bankruptcy Rule 7052(B) for Amendment of Findings in 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 [Doc. No. 564] (the 'Rule 7052(b) Motion'), set for December 4, 2018, at 10:00 a.m., is CONTINUED to

		December 5, 2018, at 10:00 a.m., to take place concurrently with the hearing on the Motion for Entry of an Order to Authorize Debtors to Refund Prepetition Deposits and Overpayments [Doc. No. 815]. (BNC-PDF) (Related Doc # doc) Signed on 11/28/2018 (Lomeli, Lydia R.) (Entered: 11/28/2018)
11/28/2018	889 (25 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 810 Notice filed by Debtor Verity Health System of California, Inc.) Limited Objection and Reservation of Rights of Roche Diagnostics Corporation to (I) Debtors' Proposed Cure Amount for Potential Assumption and Assignment of Agreements and (II) Sale Motion Filed by Creditor Roche Diagnostics Corporation (Laurin, Paul) (Entered: 11/28/2018)*
11/28/2018	890 (16 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Debtors' Notice of Motion and Motion for an Order Authorizing Debtors to Pay Certain Prepetition Conduit Claims; Memorandum of Points and Authorities; Declaration of Mary Eileen Drees* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)847 Motion *Debtors Notice Of Motion And Motion For An Order Authorizing Debtors To Pay Certain Prepetition Conduit Claims; Memorandum Of Points And Authorities; Declaration Of Mary Eileen Drees*). (Moyron, Tania) (Entered: 11/28/2018)
11/28/2018	891 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Dentons US LLP's First Professional Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period August 31, 2018 to September 30, 2018* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)853 Application for Compensation *Dentons US LLP's First Professional Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the period August 31, 2018 to September 30, 2018* for Samuel R Mai). (Moyron, Tania) (Entered: 11/28/2018)
11/28/2018	892 (2 pgs)	Order Approving Stipulation Extending Deadline For Us Foods To File Assumption Objection (BNC-PDF) (Related Doc # 878) Signed on 11/28/2018 (Lomeli, Lydia R.) (Entered: 11/28/2018)
11/28/2018	893 (2 pgs)	Order Granting Debtors' Motion For Entry Of An Order Authorizing And Approving (I) Key Employee Incentive Plan And (Ii) Key Employee Retention Plan [Relates To Docket No. 631] (BNC-PDF) (Related Doc # 631) Signed on 11/28/2018 (Lomeli, Lydia R.) (Entered: 11/28/2018)
11/28/2018	894 (2 pgs)	Order Approving Stipulation Extending Deadline For Cardinal Health To File Assumption Objection (BNC-PDF) (Related Doc # 875) Signed on 11/28/2018 (Lomeli, Lydia R.) (Entered: 11/28/2018)
11/28/2018	895 (2 pgs)	Order Approving Stipulation Extending Deadline For Unitedhealthcare Insurance Company To File Assumption Objection (BNC-PDF) (Related Doc # 874) Signed on 11/28/2018 (Lomeli, Lydia R.) (Entered: 11/28/2018)
11/28/2018	896 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Aetna Life Insurance Company; Stipulation Extending Deadline for Aetna Life Insurance Company to File Assumption Objection* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/28/2018)
11/28/2018	897 (11 pgs)	Notice *of Perfection and Intent to Enforce Mechanic's Lien Pursuant to 11 U.S.C. Sections 362(b)(3) and 546(b) Against Real Property Owned by St.*

		Vincent Medical Center Located at 2131 West 3rd Street, Los Angeles, CA 90057 Filed by Creditor Belfor USA Group, Inc.. (Minier, Christopher) (Entered: 11/28/2018)
11/28/2018	898 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *ARUP Laboratories, Inc. and Med One Capital Funding, LLC; Stipulation Extending Deadline for ARUP Laboratories, Inc. and Med One Capital Funding, LLC to File Assumption Objections* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/28/2018)
11/28/2018	899 (16 pgs; 2 docs)	Motion to Extend Exclusivity Period for Filing a Chapter 11 Plan and Disclosure Statement *Debtors' Notice of Motion and Motion for Entry of an Order Pursuant to Section 1121 of the Bankruptcy Code Extending the Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances; Declaration of Samuel R. Maizel* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) Additional attachment(s) added on 12/19/2018 (Lewis, Litaun). (Entered: 11/28/2018)
11/28/2018	900 (17 pgs)	Declaration re: *Executed Declarations in Support of the Retention of Certain Ordinary Course Professionals Re Motion Authorizing the Debtors to Retain and Compensate Professionals Utilized by the Debtors in the Ordinary Course of Business* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)364 Motion *Notice Of Motion And Motion For An Order Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Elspeth). (Moe, John) (Entered: 11/28/2018)*
11/29/2018	901	Hearing Set (RE: related document(s)899 Motion to Extend/Limit Exclusivity Period filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 12/19/2018 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 11/29/2018)
11/29/2018	902 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Otis Elevator; Stipulation Extending Deadline for Otis Elevator to File Assumption Objection [Related to Docket No. 810]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/29/2018)
11/29/2018	903 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Cochlear Americas; Stipulation Extending Deadline for Cochlear Americas to File Assumption Objection [Related to Docket No. 810]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/29/2018)
11/29/2018	904 (11 pgs)	Objection (related document(s): 724 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF), 810 Notice filed by Debtor Verity Health System of California, Inc.) *Stanfords Omnibus Objection To Cure Notice* Filed by Creditors University Healthcare Alliance, Packard Children's Health Alliance, Stanford Health Care Advantage, Stanford Blood Center, LLC, The Board of Trustees of the Leland Stanford Junior University, Stanford Health Care (Walker, Matthew) (Entered: 11/29/2018)
11/29/2018	905 (13 pgs; 2 docs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) *Of CIGNA Entities To Notice to Counterparts To Executory Contracts And Unexpired Leases Of The Debtors That May Be Assumed And Assigned* Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (Attachments: # 1 Proof of Service) (Rathbone, William) (Entered: 11/29/2018)
11/29/2018	906	Objection (related document(s): 365 Motion For Sale of Property of the Estate

	(66 pgs; 3 docs)	under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 810 Notice filed by Debtor Verity Health System of California, Inc.) Filed by Creditor California Department of Health Care Services (Attachments: # 1 Affidavit Declaration of Hanh Vo in Support of California Department of Health Care Services's Objection to (1) Debtors' Motion for the Entry of an Order Authorizing the Sale of Property Free and Clear of all Claims; (2) Notice to Counterparties # 2 Appendix Proof of Service) (Wang, Kenneth) (Entered: 11/29/2018)*
11/29/2018	907 (2 pgs)	Order Approving Stipulation With Cigna Healthcare Regarding Motion To Reject Professional Services Agreement With All Care Medical Group, Inc. And Related Executory Contracts And Unexpired Lease (BNC-PDF) (Related Doc # 884) Signed on 11/29/2018 (Lomeli, Lydia R.) (Entered: 11/29/2018)
11/29/2018	908 (2 pgs)	Order Approving Stipulation Extending Deadline For Arup Laboratories, Inc. And Med One Capital Funding, LLC To File Assumption Objections (BNC-PDF) (Related Doc # 898) Signed on 11/29/2018 (Lomeli, Lydia R.) (Entered: 11/29/2018)
11/29/2018	909 (3 pgs)	Order Granting motion for relief from automatic stay ACTION IN NON-BANKRUPTCY FORUM (BNC-PDF) (Related Doc # 582) Signed on 11/29/2018 (Lomeli, Lydia R.) (Entered: 11/29/2018)
11/29/2018	910 (2 pgs)	Order Approving Stipulation Extending Deadline For American Vitalcare, Inc. And Pharmacy Corporation Of America To File Assumption Objections (BNC-PDF) (Related Doc # 886) Signed on 11/29/2018 (Lomeli, Lydia R.) (Entered: 11/29/2018)
11/29/2018	911 (2 pgs)	Order Approving Stipulation Extending Deadline For Medtronic To File Assumption Objection (BNC-PDF) (Related Doc # 887) Signed on 11/29/2018 (Lomeli, Lydia R.) (Entered: 11/29/2018)
11/29/2018	912 (2 pgs)	Order Approving Stipulation Extending Deadline For Aetna Life Insurance Company To File Assumption Objection (BNC-PDF) (Related Doc # 896) Signed on 11/29/2018 (Lomeli, Lydia R.) (Entered: 11/29/2018)
11/29/2018	913 (7 pgs)	Statement *OCH Forest 1 and O'Connor Health Center 1 Response to Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May Be Assumed and Assigned* Filed by Creditor OCH Forest 1, General Partner of O'Connor Health Center 1, a limited partnership. (Kuhner, Chris) (Entered: 11/29/2018)
11/29/2018	914 (3 pgs)	Declaration re: *Declaration of Charles J. Toeniskoetter in Support of OCH Forest 1 and O'Connor Health Center 1 Response to Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May Be Assumed and Assigned* Filed by Creditor OCH Forest 1, General Partner of O'Connor Health Center 1, a limited partnership (RE: related document(s)913 Statement). (Kuhner, Chris) (Entered: 11/29/2018)
11/29/2018	915 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *GE HFS, LLC; Stipulation Extending Deadline for GE HFS, LLC to File Assumption Objection [Related to Docket No. 810]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/29/2018)
11/29/2018	916 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Schumacher, William. (Schumacher, William) (Entered: 11/29/2018)
11/29/2018	917	Notice of Appearance and Request for Notice by Lauren T Attard Filed by

	(8 pgs)	Creditor SpecialtyCare Cardiovascular Resources, LLC. (Attard, Lauren) (Entered: 11/29/2018)
11/29/2018	918 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Buck, Chane. (Buck, Chane) (Entered: 11/29/2018)
11/29/2018	919 (77 pgs; 3 docs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) */C. R. Bard, Inc.'s Limited Objection and Reservation of Rights to Proposed Cure Amounts for Executory Contracts* Filed by Creditor C. R. Bard, Inc. (Attachments: # 1 Declaration # 2 Proof of Service) (Eckhardt, Kevin) (Entered: 11/29/2018)
11/29/2018	920 (7 pgs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) *to Cure Amounts Stated in Debtor's Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors that may be Assumed and Assigned* Filed by Creditor California Physicians' Service dba Blue Shield of California (Reynolds, Michael) (Entered: 11/29/2018)
11/29/2018	921 (9 pgs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) *Objection to Cure Amounts Proposed in Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May Be Assumed and Assigned* Filed by Creditor SpecialtyCare Cardiovascular Resources, LLC (Attard, Lauren) (Entered: 11/29/2018)
11/29/2018	922 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Paragon Mechanical; Stipulation Extending Deadline for Paragon Mechanical to File Assumption Objection [Related to Docket No. 810]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/29/2018)
11/29/2018	923 (114 pgs; 2 docs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc., 921 Objection filed by Creditor SpecialtyCare Cardiovascular Resources, LLC) *Objection to Cure Amounts Proposed in Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors that May be Assumed and Assigned, Amended to Add Attachment, Related to Document 921* Filed by Creditor SpecialtyCare Cardiovascular Resources, LLC (Attachments: # 1 Exhibit A) (Attard, Lauren) (Entered: 11/29/2018)
11/29/2018	924 (2 pgs)	Order Approving Stipulation Extending Deadline For Otis Elevator To File Assumption Objection [Related To Docket No. 810] (BNC-PDF) (Related Doc # 902) Signed on 11/29/2018 (Lomeli, Lydia R.) (Entered: 11/29/2018)
11/29/2018	925 (2 pgs)	Order Approving Stipulation Extending Deadline For Cochlear Americas To File Assumption Objection [Related To Docket No. 810] (BNC-PDF) (Related Doc # 903) Signed on 11/29/2018 (Lomeli, Lydia R.) (Entered: 11/29/2018)
11/29/2018	926 (2 pgs)	Order Approving Stipulation Extending Deadline For Ge Hfs, LLC To File Assumption Objection [Related To Docket No. 810] (BNC-PDF) (Related Doc # 915) Signed on 11/29/2018 (Lomeli, Lydia R.) (Entered: 11/29/2018)
11/29/2018	927 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Infor (US), Inc.; Stipulation Extending Deadline for Infor (US), Inc. to File Assumption Objection [Related to Docket No. 810]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 11/29/2018)
11/29/2018	928 (45 pgs; 3 docs)	Objection (related document(s): 724 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF)) *-of Surgical Informations Systems, LLC to Debtors Notice to Counterparties to Executory Contracts and Unexpired Leases of Debtors that may be Assumed and Assigned* Filed by Creditor

		Surgical Information Systems, LLC (Attachments: # 1 Exhibit A # 2 Proof of Service) (Lampl, Robert) (Entered: 11/29/2018)
11/29/2018	929 (7 pgs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) *to Cure Amount Stated in Debtor's Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors that may be Assumed and Assigned* Filed by Creditor Care 1st Health Plan (Reynolds, Michael) (Entered: 11/29/2018)
11/29/2018	930 (9 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *Application of Non Resident Attorney to Appear in a Specific Case LBR 2090-1b* Filed by Creditor Abbott Laboratories Inc. (Banner, Keith) re SAMUEL C. WISOTZKEY. Modified on 1/25/2019 (Lomeli, Lydia R.). (Entered: 11/29/2018)
11/29/2018	931 (17 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 810 Notice filed by Debtor Verity Health System of California, Inc.) Abbott Laboratories Inc. Objection to Proposed Cure Amounts and Preliminary Objection to Proposed Assumption and Assignment of Various Contracts Filed by Creditor Abbott Laboratories Inc. (Banner, Keith) (Entered: 11/29/2018)*
11/29/2018	932 (12 pgs)	Notice of Appeal and Statement of Election to Bankruptcy Appellate Panel. (Official Form 417A) . Fee Amount $298 Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)409 Order on Motion to Use Cash Collateral (BNC-PDF)). Appellant Designation due by 12/13/2018. (Behrens, James)Appeal Transferred from BAP RE: CC 18-1322; 2:18-cv-10675-RGK (Originally filed at District Court 12/27/2018). Modified on 2/20/2019 (Garcia, Elaine L.). (Entered: 11/29/2018)
11/29/2018		Receipt of Notice of Appeal and Statement of Election (Official Form 417A) (2:18-bk-20151-ER) [appeal,ntcaplel] (298.00) Filing Fee. Receipt number 48125667. Fee amount 298.00. (re: Doc# 932) (U.S. Treasury) (Entered: 11/29/2018)
11/29/2018	933 (13 pgs; 2 docs)	Affidavit Re: *Response of Cerner Corporation to Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May be Assumed and Assigned* Filed by Creditor Cerner Corporation. (Attachments: # 1 Affidavit Declaration of Sara Meinhard ISO Response of Cerner Corporation to Notice to Counterparties) (Hilton, Lawrence) (Entered: 11/29/2018)
11/29/2018	934 (13 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)873 Motion for relief from automatic stay ACTION IN NON-BANKRUPTCY FORUM (BNC-PDF)) No. of Notices: 3. Notice Date 11/29/2018. (Admin.) (Entered: 11/29/2018)
11/29/2018	935 (14 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)877 Motion for relief from automatic stay ACTION IN NON-BANKRUPTCY FORUM (BNC-PDF)) No. of Notices: 3. Notice Date 11/29/2018. (Admin.) (Entered: 11/29/2018)
11/30/2018	936 (15 pgs)	Notice of lodgment *of Order in Bankruptcy Case* Filed by Creditors Aida Iniguez, Francisco Iniguez (RE: related document(s)717 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: *Medical Negligence*. Fee Amount $181,

		Filed by Creditors Francisco Iniguez, Aida Iniguez (Attachments: # 1 Exhibit A)). (Danielyan, Mariam) (Entered: 11/30/2018)
11/30/2018	937 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Pachulski Stang Ziehl & Jones LLP's Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period September 1, 2018 to October 31, 2018* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)868 Application for Compensation *Pachulski Stang Ziehl & Jones LLPS Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period September 1, 2018 October 31, 2018* for Pachulski Stang Zi). (Moyron, Tania) (Entered: 11/30/2018)
11/30/2018	938 (9 pgs)	Voluntary Dismissal of Motion Filed by Attorney Hartford Fire Insurance Company (RE: related document(s)507 Notice of motion and motion for relief from the automatic stay with supporting declarations PERSONAL PROPERTY RE: License Bonds . Fee Amount $181,). (Klinger, Marilyn) (Entered: 11/30/2018)
11/30/2018	939 (30 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 874, 875, 876 and 878* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)874 Stipulation By Verity Health System of California, Inc. and *UnitedHealthcare Insurance Company; Stipulation Extending Deadline for UnitedHealthcare Insurance Company to File Assumption Objection*, 875 Stipulation By Verity Health System of California, Inc. and *Cardinal Health; Stipulation Extending Deadline for Cardinal Health to File Assumption Objection*, 876 Notice, 878 Stipulation By Verity Health System of California, Inc. and *US Foods; Stipulation Extending Deadline for US foods to File Assumption Objection*). (Moyron, Tania) (Entered: 11/30/2018)
11/30/2018	940 (4 pgs)	Notice *of First Monthly Fee Applications of Professionals Paid by the Debtors for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 11/30/2018)
11/30/2018	941 (2 pgs)	Order Approving Stipulation Extending Deadline For Paragon Mechanical To File Assumption Objection [Related To Docket No. 810] (BNC-PDF) (Related Doc # 922) Signed on 11/30/2018 (Lomeli, Lydia R.) (Entered: 11/30/2018)
11/30/2018	942 (2 pgs)	Order Approving Stipulation Extending Deadline For Infor (Us), Inc. To File Assumption Objection [Related To Docket No. 810] (BNC-PDF) (Related Doc # 927) Signed on 11/30/2018 (Lomeli, Lydia R.) (Entered: 11/30/2018)
11/30/2018	943 (2 pgs)	Order Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule re Samuel C. Wisotzkey (BNC-PDF) (Related Doc # 930) Signed on 11/30/2018 (Lomeli, Lydia R.) (Entered: 11/30/2018)
11/30/2018	944	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Katz, Lior. (Katz, Lior) (Entered: 11/30/2018)
11/30/2018	945 (70 pgs)	Monthly Operating Report. Operating Report Number: 2. For the Month Ending October 31, 2018 Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 11/30/2018)
11/30/2018	946 (6 pgs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Humana Inc and its affiliates (Lomeli, Lydia R.) (Entered: 11/30/2018)

11/30/2018	947 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)888 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 11/30/2018. (Admin.) (Entered: 11/30/2018)
11/30/2018	948 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)892 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 11/30/2018. (Admin.) (Entered: 11/30/2018)
11/30/2018	949 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)893 Order on Generic Motion (BNC-PDF)) No. of Notices: 3. Notice Date 11/30/2018. (Admin.) (Entered: 11/30/2018)
11/30/2018	950 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)894 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 11/30/2018. (Admin.) (Entered: 11/30/2018)
11/30/2018	951 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)895 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 11/30/2018. (Admin.) (Entered: 11/30/2018)
12/01/2018	952 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)907 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/01/2018. (Admin.) (Entered: 12/01/2018)
12/01/2018	953 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)908 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/01/2018. (Admin.) (Entered: 12/01/2018)
12/01/2018	954 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)909 Motion for relief from automatic stay ACTION IN NON-BANKRUPTCY FORUM (BNC-PDF)) No. of Notices: 3. Notice Date 12/01/2018. (Admin.) (Entered: 12/01/2018)
12/01/2018	955 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)910 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/01/2018. (Admin.) (Entered: 12/01/2018)
12/01/2018	956 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)911 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/01/2018. (Admin.) (Entered: 12/01/2018)
12/01/2018	957 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)912 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/01/2018. (Admin.) (Entered: 12/01/2018)
12/01/2018	958 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)924 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/01/2018. (Admin.) (Entered: 12/01/2018)
12/01/2018	959 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)925 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/01/2018. (Admin.) (Entered: 12/01/2018)
12/01/2018	960 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)926 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/01/2018. (Admin.) (Entered: 12/01/2018)
12/02/2018	961 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)941 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date

		12/02/2018. (Admin.) (Entered: 12/02/2018)
12/02/2018	962 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)942 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/02/2018. (Admin.) (Entered: 12/02/2018)
12/02/2018	963 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)943 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 3. Notice Date 12/02/2018. (Admin.) (Entered: 12/02/2018)
12/03/2018	964	Notice to Filer of Error and/or Deficient Document **Incorrect/incomplete/unreadable PDF was attached to the docket entry. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT WITH THE CORRECT PDF IMMEDIATELY - All PDF files must be flattened prior to uploading in the courts CM/ECF system - Court Manual Section 3.5(k).** (RE: related document(s)944 Request for Removal from Courtesy Notice of Electronic Filing (NEF) filed by Creditor Refugio Estrada) (Milano, Sonny) (Entered: 12/03/2018)
12/03/2018	965 (29 pgs; 2 docs)	Notice of Referral of Appeal to the Bankruptcy Appellate Panel of the Ninth Circuit (BAP); with Notice of Appeal Service List. (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A) filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Attachments: # 1 Notice of Appeal and Statement of Election) (Milano, Sonny) (Entered: 12/03/2018)
12/03/2018	966 (29 pgs)	Opening Letter RE: Appeal from BAP CC 18-1322 (Originally filed at BAP 11/30/2018). (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A) filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Milano, Sonny) (Entered: 12/03/2018)
12/03/2018	967 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Polis, Thomas. (Polis, Thomas) (Entered: 12/03/2018)
12/03/2018	968 (19 pgs)	Stipulation By Swinerton Builders and *Debtors to Continue Hearing on Motion for Amendment of Findings in Final Order (I) Authorizing Postpetition Financing [...]* Filed by Creditor Swinerton Builders (Schultz, Nathan) (Entered: 12/03/2018)
12/03/2018	969 (2 pgs)	Order Continuing Hearings In View Of National Day Of Mourning . To honor the memory of President George Herbert Walker Bush, the undersigned will conduct no hearings on December 5, 2018. The hearings on the following motions, previously set for December 5, 2018, at 10:00 a.m., are CONTINUED to December 6, 2018, at 10:00 a.m.: Motion Pursuant to Bankruptcy Rule 7052(B) for Amendment of Findings in 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 [Doc. No. 564]; and Motion for Entry of an Order to Authorize Debtors to Refund Prepetition Patient Deposits and Overpayments [Doc. No. 815]. By no later than December 4, 2018, the Debtors shall cause Kurtzman Carson Consultants, LLC to serve this Order upon interested parties, and to file a proof of service so indicating. (BNC-PDF) (Related Doc # 564 and 815) Signed on 12/3/2018 (Lomeli, Lydia R.) (Entered: 12/03/2018)
12/03/2018	970 (70 pgs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) *Objection of GE HFS, LLC to (I) Proposed Assumption and Assignment of Lease and (II) Cure Obligations with Respect*

		Thereto Pursuant to Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May Be Assumed and Assigned Filed by Creditor GE HFS, LLC (Peters, Lisa) (Entered: 12/03/2018)
12/03/2018	971 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Katz, Lior. (Katz, Lior) (Entered: 12/03/2018)
12/03/2018	972 (2 pgs)	UNDER SEALED DOCUMENTS re 631 Unredacted exhibits filed under seal in support of motion for entry of order authorizing and approving (I) Key Employee Incentive Plan, and (II) Key Employee Retention Plan. (Lomeli, Lydia R.) (Entered: 12/03/2018)
12/03/2018	973 (13 pgs)	Response to (related document(s): 829 Motion *Debtor's Notice of Motion and Motion for Entry of an Order Authorizing Entry Into New Collective Bargaining Agreement with Engineers and Scientists of California Local 20, IFPTE; Memorandum of Points and Authorities; Declaration of Steven filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 12/03/2018)*
12/04/2018	974 (2 pgs)	Order Approving Stipulation To Continue Hearing On Motion For Amendment Of Findings In Final Order (I) Authorizing Postpetition Financing [?] [Related To Docket Nos. 968, 812, 732, 564, 409, 392, 355, 309 And 269] (BNC-PDF). continued to January 23, 2019 at 10:00 a.m. (Related Doc # 968) Signed on 12/4/2018 (Lomeli, Lydia R.) (Entered: 12/04/2018)
12/04/2018	975 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) *Request To Be Added or Removed From Courtesy Notification of Electronic Filing (NEF)* Filed by Mainguy, Tracy. (Mainguy, Tracy) (Entered: 12/04/2018)
12/05/2018	976 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *UnitedHealthcare Insurance Company; Second Stipulation Extending Deadline for UnitedHealthcare Insurance Company to File Assumption Objection [Related To Docket Nos. 810, 895]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/05/2018)
12/05/2018	977 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *ARUP Laboratories, Inc. and Med One Capital Funding, LLC; Second Stipulation Extending Deadline for ARUP Laboratories, Inc. and Med One Capital Funding, LLC to File Assumption Objections [Related to Docket Nos. 810, 908]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/05/2018)
12/05/2018	978 (54 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 883, 884, 886, 887, 892, 893, 894, 895, 896, 898, 899 and 900* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)883 Application for Compensation *Berkeley Research Group, LLC's First Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period August 31, 2018 Through September 30, 2018* for Berk, 884 Stipulation By Verity Health System of California, Inc. and *Cigna Healthcare of California, Inc. and Cigna Health and Life Insurance Company; Stipulation with Cigna Healthcare Regarding Motion to Reject Professional Services Agreement with All Ca, 886 Stipulation By Verity Health System of California, Inc. and American VitalCare, Inc. and Pharmacy Corporation of America; Stipulation Extending Deadline for American VitalCare, Inc. and Pharmacy Corporation of America to File Assumption Objection, 887 Stipulation By Verity Health System of California, Inc. and Medtronic USA Inc.; Stipulation Extending Deadline for Medtronic to File Assumption Objection, 892 Stipulation and ORDER thereon (BNC-PDF), 893 Order on Generic Motion (BNC-PDF), 894 Stipulation and*

		ORDER thereon (BNC-PDF), 895 Stipulation and ORDER thereon (BNC-PDF), 896 Stipulation By Verity Health System of California, Inc. and Aetna Life Insurance Company; Stipulation Extending Deadline for Aetna Life Insurance Company to File Assumption Objection, 898 Stipulation By Verity Health System of California, Inc. and ARUP Laboratories, Inc. and Med One Capital Funding, LLC; Stipulation Extending Deadline for ARUP Laboratories, Inc. and Med One Capital Funding, LLC to File Assumption Objections, 899 Motion to Extend Exclusivity Period for Filing a Chapter 11 Plan and Disclosure Statement Debtors' Notice of Motion and Motion for Entry of an Order Pursuant to Section 1121 of the Bankruptcy Code Extending the Exclusive Periods to File a Chapte, 900 Declaration). (Moyron, Tania) (Entered: 12/05/2018)
12/05/2018	979 (56 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 902, 903, 907, 908, 910, 911, 912, 915, 922, 924, 925, 926 and 927* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)902 Stipulation By Verity Health System of California, Inc. and *Otis Elevator; Stipulation Extending Deadline for Otis Elevator to File Assumption Objection [Related to Docket No. 810]*, 903 Stipulation By Verity Health System of California, Inc. and *Cochlear Americas; Stipulation Extending Deadline for Cochlear Americas to File Assumption Objection [Related to Docket No. 810]*, 907 Stipulation and ORDER thereon (BNC-PDF), 908 Stipulation and ORDER thereon (BNC-PDF), 910 Stipulation and ORDER thereon (BNC-PDF), 911 Stipulation and ORDER thereon (BNC-PDF), 912 Stipulation and ORDER thereon (BNC-PDF), 915 Stipulation By Verity Health System of California, Inc. and *GE HFS, LLC; Stipulation Extending Deadline for GE HFS, LLC to File Assumption Objection [Related to Docket No. 810]*, 922 Stipulation By Verity Health System of California, Inc. and *Paragon Mechanical; Stipulation Extending Deadline for Paragon Mechanical to File Assumption Objection [Related to Docket No. 810]*, 924 Stipulation and ORDER thereon (BNC-PDF), 925 Stipulation and ORDER thereon (BNC-PDF), 926 Stipulation and ORDER thereon (BNC-PDF), 927 Stipulation By Verity Health System of California, Inc. and *Infor (US), Inc.; Stipulation Extending Deadline for Infor (US), Inc. to File Assumption Objection [Related to Docket No. 810]*). (Moyron, Tania) (Entered: 12/05/2018)
12/05/2018	980 (28 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 940, 941, 942 and 945* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)940 Notice, 941 Stipulation and ORDER thereon (BNC-PDF), 942 Stipulation and ORDER thereon (BNC-PDF), 945 Monthly Operating Report). (Moyron, Tania) (Entered: 12/05/2018)
12/05/2018	981 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Aetna Life Insurance Company; Second Stipulation Extending Deadline for Aetna Life Insurance Company to File Assumption Objection [Related to Docket Nos. 810, 912]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/05/2018)
12/05/2018	982 (11 pgs)	Declaration re: *Second Supplmental Declaration of Henry C. Kevane in Support of Debtors' Application to Employ Pachulski Stang Ziehl & Jones LLP as Bankruptcy Co-Counsel Nunc Pro tunc to the Petition Date* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)421 Application to Employ Pachulski Stang Ziehl & Jones LLP as Co-Counsel for the Debtors). (Cho, Shirley) (Entered: 12/05/2018)
12/05/2018	983 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *American VitalCare, Inc. and Pharmacy Corporation of America; Second Stipulation Extending Deadline for American VitalCare, Inc. and Pharmacy Corporation of America to File Assumption Objections [Related to Docket Nos. 810, 910]*

		Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/05/2018)
12/05/2018	984 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Shared Imaging, LLC; Stipulation Extending Deadline for Shared Imaging to File Assumption Objection [Related to Docket No. 810]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/05/2018)
12/05/2018	985 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Sports, Orthopedic and Rehabilitation Associates; Stipulation Extending Deadline to Reply to Objection to Motion to Reject Professional Services Agreement with Sports, Orthopedic and Rehabilitation Associates and Related Executory Contracts and Unexpired Leases [Related Dkt. Nos. 400, 665, 738, 745]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/05/2018)
12/05/2018	986 (26 pgs)	Opposition to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 810 Notice filed by Debtor Verity Health System of California, Inc.) / Objection to (I) Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors that May be Assumed and Assigned [Dkt. No. 810] and (II) Sale Motion [Dkt. No. 365] (with proof of service) Filed by Creditor Medtronic USA, Inc. (Reinhardt, Nathaniel) (Entered: 12/05/2018)*
12/05/2018	987 (4 pgs)	Reply to (related document(s): 399 Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tu filed by Debtor Verity Health System of California, Inc., 448 Objection filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America, 462 Opposition filed by Creditor California Physicians' Service dba Blue Shield of California, 467 Opposition filed by Creditor Health Net of California, Inc., 496 Objection filed by Creditor Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC, 576 Motion to Reject Lease or Executory Contract Debtors Notice Of Motion And Motion To Reject, Pursuant To 11 U.S.C. § 365(A), Professional Services Agreement With All Care Medical Group, Inc. And Related Executory Contracts And Unexpired Lease Nun filed by Debtor Verity Health System of California, Inc.) Omnibus Reply to Objections to Debtors' Motion to Reject, Pursuant to 11 U.S.C. Section 365(A), Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tunc [Related Dkt. Nos. 399, 448, 462, 467, 496, 576] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/05/2018)*
12/05/2018	988 (12 pgs)	Response to (related document(s): 899 Motion to Extend Exclusivity Period for Filing a Chapter 11 Plan and Disclosure Statement *Debtors' Notice of Motion and Motion for Entry of an Order Pursuant to Section 1121 of the Bankruptcy Code Extending the Exclusive Periods to File a Chapte filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 12/05/2018)*
12/05/2018	989 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)969 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 12/05/2018. (Admin.) (Entered: 12/05/2018)

12/06/2018	990 (4 pgs)	Hearing Held (RE: related document(s)815 Motion and Motion for Entry of an Order to Authorize Debtors to Refund Prepetition Patient Deposits and Overpayments;filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Granted. Party to lodge order: Movant. (Lomeli, Lydia R.) Additional attachment(s) added on 12/6/2018 (Lomeli, Lydia R.). (Entered: 12/06/2018)
12/06/2018	991 (2 pgs)	Order Approving Second Stipulation Extending Deadline For Unitedhealthcare Insurance Company To File Assumption Objection [Related To Docket Nos. 810, 895] (BNC-PDF) (Related Doc # 976) Signed on 12/6/2018 (Lomeli, Lydia R.) (Entered: 12/06/2018)
12/06/2018	992 (2 pgs)	Order Approving Second Stipulation Extending Deadline For Arup Laboratories, Inc. And Med One Capital Funding, LLC To File Assumption Objections [Related To Docket Nos. 810, 908] (BNC-PDF) (Related Doc # 977) Signed on 12/6/2018 (Lomeli, Lydia R.) (Entered: 12/06/2018)
12/06/2018	993 (2 pgs)	Order Approving Second Stipulation Extending Deadline For Aetna Life Insurance Company To File Assumption Objection [Related To Docket Nos. 810, 912] (BNC-PDF) (Related Doc # 981) Signed on 12/6/2018 (Lomeli, Lydia R.) (Entered: 12/06/2018)
12/06/2018	994 (2 pgs)	Order Approving Second Stipulation Extending Deadline For American Vitalcare, Inc. And Pharmacy Corporation Of America To File Assumption Objections [Related To Docket Nos. 810, 910] (BNC-PDF) (Related Doc # 983) Signed on 12/6/2018 (Lomeli, Lydia R.) (Entered: 12/06/2018)
12/06/2018	995 (2 pgs)	Order Approving Stipulation Extending Deadline For Shared Imaging To File Assumption Objection [Related To Docket No. 810 (BNC-PDF) (Related Doc # 984) Signed on 12/6/2018 (Lomeli, Lydia R.) (Entered: 12/06/2018)
12/06/2018	996 (2 pgs)	Order Approving Stipulation Extending Deadline To Reply To Objection To Motion To Reject Professional Services Agreement With Sports, Orthopedic And Rehabilitation Associates And Related Executory Contracts And Unexpired Leases [Related Dkt. Nos. 400, 665, 738, 745] (BNC-PDF) (Related Doc # 985) Signed on 12/6/2018 (Lomeli, Lydia R.) (Entered: 12/06/2018)
12/06/2018	997 (4 pgs)	Notice *Notice of Appearance and Request for Special Notice and Inclusion on Mailing List* Filed by Creditor Lesley c/o Riis. (Riis, Lesley) (Entered: 12/06/2018)
12/06/2018	998 (14 pgs)	Supplemental *Supplement to Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May be Assumed and Assigned [Related to Docket No. 365]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 12/06/2018)
12/06/2018	999 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)974 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/06/2018. (Admin.) (Entered: 12/06/2018)
12/07/2018	1000 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Reed, Jason. (Reed, Jason) (Entered: 12/07/2018)
12/07/2018	1001 (393 pgs; 4 docs)	Application for Compensation *Dentons US LLPs Second Professional Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period October 2018* for Samuel R Maizel, Debtor's Attorney, Period: 10/1/2018 to 10/31/2018, Fee: $1,131,792.93, Expenses: $21,452.87. Filed by Attorney Samuel R Maizel (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C) (Maizel, Samuel) (Entered: 12/07/2018)

12/07/2018	1002 (3 pgs)	Notice *Of Second Monthly Fee Applications Of Professionals Paid By The Debtors For Allowance And Payment Of Interim Compensation & Reimbursement Of Expenses* Filed by Debtor Verity Health System of California, Inc.. (Maizel, Samuel) (Entered: 12/07/2018)
12/07/2018	1003 (6 pgs)	Declaration re: *Executed Declaration In Support Of The Retention Of Ordinary Course Professional Re Motion Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business* Filed by Debtor Verity Health System of California, Inc.. (Moe, John) (Entered: 12/07/2018)
12/07/2018	1004 (2 pgs)	Order Granting Motion For The Entry Of An Order To Authorize Debtors To Refund Prepetition Patient Deposits And Overpayments [Relates To Docket No. 815] (BNC-PDF) (Related Doc # 815) Signed on 12/7/2018 (Lomeli, Lydia R.) (Entered: 12/07/2018)
12/07/2018	1005 (2 pgs)	Notice *That No Auction Shall Be Held Re Debtors Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances [Relates To Docket No. 365]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Moe, John) (Entered: 12/07/2018)
12/08/2018	1006 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)991 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/08/2018. (Admin.) (Entered: 12/08/2018)
12/08/2018	1007 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)992 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/08/2018. (Admin.) (Entered: 12/08/2018)
12/08/2018	1008 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)993 Order (Generic) (BNC-PDF)) No. of Notices: 3. Notice Date 12/08/2018. (Admin.) (Entered: 12/08/2018)
12/08/2018	1009 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)994 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/08/2018. (Admin.) (Entered: 12/08/2018)
12/08/2018	1010 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)995 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/08/2018. (Admin.) (Entered: 12/08/2018)

12/08/2018	1011 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)996 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/08/2018. (Admin.) (Entered: 12/08/2018)
12/09/2018	1012 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1004 Order on Generic Motion (BNC-PDF)) No. of Notices: 3. Notice Date 12/09/2018. (Admin.) (Entered: 12/09/2018)
12/10/2018	1013 (3 pgs)	Notice *Supplement To The Second Monthly Fee Applications Of Professionals Paid By The Debtors For Allowance And Payment Of Interim Compensation & Reimbursement Of Expenses* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1002 Notice *Of Second Monthly Fee Applications Of Professionals Paid By The Debtors For Allowance And Payment Of Interim Compensation & Reimbursement Of Expenses* Filed by Debtor Verity Health System of California, Inc..). (Maizel, Samuel) (Entered: 12/10/2018)
12/10/2018	1014 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *American VitalCare, Inc. and Pharmacy Corporation of America; Third Stipulation Extending Deadline for American VitalCare, Inc. and Pharmacy Corporation of America to File Assumption Objections [Related to Docket Nos. 810, 910, 994]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/10/2018)
12/10/2018	1015 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *UnitedHealthcare Insurance Company; Third Stipulation Extending Deadline for UnitedHealthcare Insurance Company to File Assumption Objection [Related to Docket Nos. 810, 895, 991]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/10/2018)
12/10/2018	1016 (53 pgs)	Declaration re: *Declaration of Bob Zbylicki in Support of the Objection to (I) Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors that May Be Assumed and Assigned [Dkt. No. 810] and (II) Sale Motion [Dkt. No. 365] (with proof of service)* Filed by Creditor Medtronic USA, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use,, 810 Notice, 986 Opposition). (Reinhardt, Nathaniel) (Entered: 12/10/2018)*
12/10/2018	1017 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Shared Imaging; Second Stipulation Extending Deadline for Shared Imaging to File Assumption Objection [Related to Docket Nos. 810, 995]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/10/2018)
12/10/2018	1018 (18 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Objection to Cure Amounts Alleged By Debtors Under Executory Contracts with Aetna Life Insurance Company with proof of service Filed by Creditor Aetna Life Insurance Company (Krause, Jeffrey) (Entered: 12/10/2018)*
12/10/2018	1019 (164 pgs)	Ombudsman Report for the period of 10/9/2018 through 12/10/2018 Filed by Health Care Ombudsman Jacob Nathan Rubin. (Bender, Ron) (Entered: 12/10/2018)
12/11/2018	1020	Stipulation By Verity Health System of California, Inc. and *ARUP*

	(3 pgs)	*Laboratories, Inc. and Med One Capital Funding, LLC; Third Stipulation for ARUP Laboratories, Inc. and Med One Capital Funding, LLC to File Assumption Objections [Related to Docket Nos. 810, 908, 992]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/11/2018)
12/11/2018	1021 (2 pgs)	Order Approving Third Stipulation Extending Deadline For American Vitalcare, Inc. And Pharmacy Corporation Of America To File Assumption Objections [Related To Docket Nos. 810, 910, 994] (BNC-PDF) (Related Doc # 1014) Signed on 12/11/2018 (Lomeli, Lydia R.) (Entered: 12/11/2018)
12/11/2018	1022 (2 pgs)	Order Approving Third Stipulation Extending Deadline For Unitedhealthcare Insurance Company To File Assumption Objection [Related To Docket Nos. 810, 895, 991] (BNC-PDF) (Related Doc # 1015) Signed on 12/11/2018 (Lomeli, Lydia R.) (Entered: 12/11/2018)
12/11/2018	1023 (2 pgs)	Order Approving Second Stipulation Extending Deadline For Shared Imaging To File Assumption Objection [Related To Docket No. 810, 995] (BNC-PDF) (Related Doc # 1017) Signed on 12/11/2018 (Lomeli, Lydia R.) (Entered: 12/11/2018)
12/11/2018	1024 (7 pgs)	Stipulation By Verity Health System of California, Inc. and *All Care Medical Group, Inc., and California Physician's Service dba Blue Shield of California, and Health Net of California, Inc., and Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC; Stipulation Continuing Hearing Regarding Motion to Reject Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/11/2018)
12/11/2018	1025 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *Cigna Healthcare of California, Inc. and Cigna Health and Life Insurance Company; Stipulation with Cigna Healthcare Continuing Hearing Regarding Motion to Reject Professional Services Agreement with All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/11/2018)
12/11/2018	1026 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Sports, Orthopedic and Rehabilitation Associates; Stipulation Continuing Hearing Regarding Motion to Reject Professional Services Agreement with Sports, Orthopedic and Rehabilitation Associates and Related Executory Contracts and Unexpired Leases [Related Dkt. Nos. 400, 665, 738, 745]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/11/2018)
12/11/2018	1027 (3 pgs)	Order Approving Stipulation Continuing Hearing Regarding Motion To Reject Professional Services Agreement With All Care Medical Group, Inc. And Related Executory Contracts And Unexpired Lease. Continued from December 12, 2018 at 10:00 a.m. to January 23, 2018 at 10:00 a.m. (BNC-PDF) (Related Doc # 1024) Signed on 12/11/2018 (Lomeli, Lydia R.) (Entered: 12/11/2018)
12/11/2018	1028 (10 pgs)	Adversary case 2:18-ap-01433. Complaint by Baoru Xue against Verity Health System of California Inc , St. Francis Medical Center . Fee Amount $350 Nature of Suit: (11 (Recovery of money/property - 542 turnover of property)) , (12 (Recovery of money/property - 547 preference)) ,(66 (Dischargeability - 523(a)(1),(14),(14A) priority tax claims)) ,(02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy))) (Collins, Kim S.) (Entered: 12/11/2018)
12/11/2018	1029 (2 pgs)	Order Approving Stipulation With Cigna Healthcare Continuing Hearing Regarding Motion To Reject Professional Services Agreement With All Care

		Medical Group, Inc. And Related Executory Contracts And Unexpired Lease. Continued from December 12, 2018 at 10:00 a.m. to January 23, 2019 at 10:00 a.m. (BNC-PDF) (Related Doc # 1025) Signed on 12/11/2018 (Lomeli, Lydia R.) (Entered: 12/11/2018)
12/11/2018	1030 (12 pgs)	Declaration re: *Executed Declarations In Support Of The Retention Of Ordinary Course Professionals Re Motion Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business* Filed by Debtor Verity Health System of California, Inc.. (Moe, John) (Entered: 12/11/2018)
12/11/2018	1031 (2 pgs)	Order Approving Stipulation Continuing Hearing Regarding Motion To Reject Professional Services Agreement With Sports, Orthopedic And Rehabilitation Associates And Related Executory Contracts And Unexpired Leases [Related Dkt. Nos. 400, 665, 738, 745]. Continued from December 12, 2018 at 10:00 a.m. to December 19, 2018 at 10:00 a.m. (BNC-PDF) (Related Doc # 1026) Signed on 12/11/2018 (Lomeli, Lydia R.) (Entered: 12/11/2018)
12/12/2018	1032 (4 pgs)	Hearing Held (RE: related document(s)829 Motion Debtor's Notice of Motion and Motion for Entry of an Order Authorizing Entry Into New Collective Bargaining Agreement with Engineers andScientists of California Local 20, IFPTE; filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Party to lodge order: Debtors. Granted. (Lomeli, Lydia R.) Additional attachment(s) added on 12/12/2018 (Lomeli, Lydia R.). (Entered: 12/12/2018)
12/12/2018	1033 (4 pgs)	Hearing Held (RE: related document(s)847 Motion For An OrderAuthorizing Debtors To Pay Certain Prepetition Conduit Claims; filed by Debtor Verity Health System of California, Inc.) (see ruling attached). Party to lodge order: Debtors. Granted. (Lomeli, Lydia R.) Additional attachment(s) added on 12/12/2018 (Lomeli, Lydia R.). (Entered: 12/12/2018)
12/12/2018	1034 (15 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Order Continuing Hearings in View of National Day of Mourning* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)969 Order (Generic) (BNC-PDF)). (Moyron, Tania) (Entered: 12/12/2018)
12/12/2018	1035 (29 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 724 and 998* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)724 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF), 998 Supplemental). (Moyron, Tania) (Entered: 12/12/2018)
12/12/2018	1036 (57 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 976, 977, 981, 982, 983, 984, 985, 987, 991, 992, 993, 994, 995 and 996* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)976 Stipulation By Verity Health System of California, Inc. and *UnitedHealthcare Insurance Company; Second Stipulation Extending Deadline for UnitedHealthcare Insurance Company to File Assumption Objection [Related To Docket Nos. 810, 895]*, 977 Stipulation By Verity Health System of California, Inc. and *ARUP Laboratories, Inc. and Med One Capital Funding, LLC; Second Stipulation Extending Deadline for ARUP Laboratories, Inc. and Med One Capital Funding, LLC to File Assumption Objections, 981 Stipulation By Verity Health System of California, Inc. and Aetna Life Insurance Company; Second Stipulation Extending Deadline for Aetna Life Insurance Company to File Assumption Objection [Related to Docket Nos. 810, 912], 982 Declaration, 983 Stipulation By Verity Health System of California, Inc. and American VitalCare, Inc. and Pharmacy Corporation of America; Second Stipulation Extending Deadline for American VitalCare, Inc. and Pharmacy Corporation of America to File Assumption Ob,*

		984 Stipulation By Verity Health System of California, Inc. and Shared Imaging, LLC; Stipulation Extending Deadline for Shared Imaging to File Assumption Objection [Related to Docket No. 810], 985 Stipulation By Verity Health System of California, Inc. and Sports, Orthopedic and Rehabilitation Associates; Stipulation Extending Deadline to Reply to Objection to Motion to Reject Professional Services Agreement with Sports, Orthopedic and Reh, 991 Stipulation and ORDER thereon (BNC-PDF), 992 Stipulation and ORDER thereon (BNC-PDF), 993 Order (Generic) (BNC-PDF), 994 Stipulation and ORDER thereon (BNC-PDF), 995 Stipulation and ORDER thereon (BNC-PDF), 996 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 12/12/2018)
12/12/2018	1037 (18 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1001, 1002, 1003, 1004 and 1005* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1001 Application for Compensation *Dentons US LLPs Second Professional Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period October 2018* for Samuel R Maizel, Debtor's Attorney, Period, 1002 Notice, 1003 Declaration, 1004 Order on Generic Motion (BNC-PDF), 1005 Notice). (Moyron, Tania) (Entered: 12/12/2018)
12/12/2018	1038 (8 pgs)	Order Granting motion for relief from automatic stay ACTION IN NON-BANKRUPTCY FORUM (BNC-PDF) (Related Doc # 717) Signed on 12/12/2018 (Lomeli, Lydia R.) (Entered: 12/12/2018)
12/12/2018	1039 (2 pgs)	Order Approving Third Stipulation Extending Deadline For Arup Laboratories, Inc. And Med One Capital Funding, Llc To File Assumption Objections [Related To Docket Nos. 810, 908, 992] (BNC-PDF) (Related Doc # 1020) Signed on 12/12/2018 (Lomeli, Lydia R.) (Entered: 12/12/2018)
12/12/2018	1040 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *Official Committee of Unsecured Creditors, and California Department of Health Care Services; Stipulation Extending Deadline for Debtors and the Official Committee of Unsecured Creditors to File Reply to Objection [Related to Docket Nos. 365, 724, 810, 906]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/12/2018)
12/12/2018	1041 (32 pgs)	Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 12/12/2018)
12/13/2018	1042 (2 pgs)	Order Approving Stipulation Extending Deadline For Debtors And The Official Committee Of Unsecured Creditors To File Reply To Objection (BNC-PDF) (Related Doc # 1040) Signed on 12/13/2018 (Lomeli, Lydia R.) (Entered: 12/13/2018)
12/13/2018	1043 (73 pgs)	Objection (related document(s): 998 Supplemental filed by Debtor Verity Health System of California, Inc.) *Supplemental Objection of GE HFS, LLC to (I) Proposed Assumption and Assignment of Lease and (II) Cure Obligations With Respect Thereto* Filed by Creditor GE HFS, LLC (Peters, Lisa) (Entered: 12/13/2018)

12/13/2018	1044 (4 pgs)	Declaration re: *Declaration of Jeffrey Smith In Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Fee and Clear of All Encumbrances; (2) Approving of Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving of Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use,, 1041 Memorandum of points and authorities). (Moyron, Tania) (Entered: 12/13/2018)*
12/13/2018	1045 (17 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *MOB Financing, LLC Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 12/13/2018)
12/13/2018	1046 (14 pgs; 3 docs)	Objection (related document(s): 724 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF), 928 Objection filed by Creditor Surgical Information Systems, LLC, 998 Supplemental filed by Debtor Verity Health System of California, Inc.) -*Objection of Surgical Informations Systems, LLC to Debtors' Supplement to Notice to Counterparties to Executory Contracts and Unexpired Leases of Debtors that may be Assumed and Assigned* Filed by Creditor Surgical Information Systems, LLC (Attachments: # 1 Exhibit A # 2 Proof of Service) (Lampl, Robert) (Entered: 12/13/2018)
12/13/2018	1047 (17 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *MOB Financing II, LLC Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 12/13/2018)
12/13/2018	1048 (23 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *U.S. Bank National Association Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 12/13/2018)
12/13/2018	1049 (22 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *UMB Bank, N.A. Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 12/13/2018)
12/13/2018	1050 (2 pgs)	Errata *Notice Of Errata Re Debtors Memorandum In Support Of Entry Of Order (1) Approving Sale Of Certain Assets To Santa Clara County Free And Clear Of All Encumbrances; (2) Approving Debtors Assumption And Assignment Of Certain Unexpired Leases And Executory Contracts And Determining Cure Amounts And Approving Debtors Rejection Of Those Unexpired Leases And Executory Contracts Which Are Not Assumed And Assigned; (3) Waiving The 14-Day Stay Periods Set Forth In Bankruptcy Rules 6004(H) And 6006(D); And (4) Granting Related Relief* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1041 Memorandum of points and authorities). (Moyron, Tania) (Entered: 12/13/2018)
12/13/2018	1051 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1021 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date

		12/13/2018. (Admin.) (Entered: 12/13/2018)
12/13/2018	1052 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1022 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/13/2018. (Admin.) (Entered: 12/13/2018)
12/13/2018	1053 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1023 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/13/2018. (Admin.) (Entered: 12/13/2018)
12/13/2018	1054 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1027 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/13/2018. (Admin.) (Entered: 12/13/2018)
12/13/2018	1055 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1029 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/13/2018. (Admin.) (Entered: 12/13/2018)
12/13/2018	1056 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1031 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/13/2018. (Admin.) (Entered: 12/13/2018)
12/14/2018	1057 (26 pgs; 2 docs)	Objection (related document(s): 882 Objection filed by Creditor Smith & Nephew, Inc., 998 Supplemental filed by Debtor Verity Health System of California, Inc.) */Smith & Nephew, Inc.'s Supplemental Objection to Proposed Cure Amounts and Limited Objection to Assumption and Assignment of Executory Contracts* Filed by Creditor Smith & Nephew, Inc. (Attachments: # 1 Proof of Service) (Eckhardt, Kevin) (Entered: 12/14/2018)
12/14/2018	1058 (9 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 998 Supplemental filed by Debtor Verity Health System of California, Inc.) Oracles Limited Objection to and Reservation of Rights Regarding Debtors (1) Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrance (Sale Motion); and (2) Supplement to Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May be Assumed and Assigned (Supplemental Assumption Notice) Filed by Creditor Oracle America, Inc. (Christianson, Shawn) (Entered: 12/14/2018)*
12/14/2018	1059 (8 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 931 Objection filed by Creditor Abbott Laboratories Inc.) Abbott Laboratories, Inc.'s Supplemental Objections to Proposed Assumption and Assignment of Various contracts and Reservation of Rights Filed by Creditor Abbott Laboratories Inc. (Davidoff, Brian) (Entered: 12/14/2018)*
12/14/2018	1060	Objection (related document(s): 365 Motion For Sale of Property of the Estate

	(8 pgs)	under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Limited Objection and Reservation of Rights of Verity MOB Financing LLC and Verity MOB Financing II LLC Regarding Debtor's Motion For Sale of Property of the Estate under Section 363(b) - No Fee Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc. Filed by Creditors Verity MOB Financing II LLC, Verity MOB Financing LLC (Bennett, Bruce) (Entered: 12/14/2018)*
12/14/2018	1061 (238 pgs; 8 docs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 1041 Memorandum of points and authorities filed by Debtor Verity Health System of California, Inc.) with Proof of Service Filed by Creditor California Nurses Association (Attachments: # 1 Exhibit # 2 Exhibit # 3 Exhibit # 4 Exhibit # 5 Exhibit # 6 Exhibit # 7 Exhibit) (Skogstad, Kyrsten) (Entered: 12/14/2018)*
12/14/2018	1062 (21 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Objection to Cure Amount Set Forth in the Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors that may be Assumed and Assigned Filed by Creditor UnitedHealthcare Insurance Company (Montgomery, Susan) (Entered: 12/14/2018)*
12/14/2018	1063 (48 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1020, 1021, 1022, 1023, 1024, 1025, 1026, 1027, 1029, 1030 and 1031* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1020 Stipulation By Verity Health System of California, Inc. and *ARUP Laboratories, Inc. and Med One Capital Funding, LLC; Third Stipulation for ARUP Laboratories, Inc. and Med One Capital Funding, LLC to File Assumption Objections [Related to Docket, 1021 Stipulation and ORDER thereon (BNC-PDF), 1022 Stipulation and ORDER thereon (BNC-PDF), 1023 Stipulation and ORDER thereon (BNC-PDF), 1024 Stipulation By Verity Health System of California, Inc. and All Care Medical Group, Inc., and California Physician's Service dba Blue Shield of California, and Health Net of California, Inc., and Southeast Medical Center, LLC and Slauson Ass, 1025 Stipulation By Verity Health System of California, Inc. and Cigna Healthcare of California, Inc. and Cigna Health and Life Insurance Company; Stipulation with Cigna Healthcare Continuing Hearing Regarding Motion to Reject Professional Services Ag, 1026 Stipulation By Verity Health System of California, Inc. and Sports, Orthopedic and Rehabilitation Associates; Stipulation Continuing Hearing Regarding Motion to Reject Professional Services Agreement with Sports, Orthopedic and Rehabilitation Ass, 1027 Stipulation and ORDER thereon (BNC-PDF), 1029 Stipulation and ORDER thereon (BNC-PDF), 1030 Declaration, 1031 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 12/14/2018)*
12/14/2018	1064 (26 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1039, 1040 and 1041* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1039 Stipulation and ORDER thereon (BNC-PDF), 1040 Stipulation By Verity Health System of California, Inc. and *Official Committee of Unsecured Creditors, and*

		California Department of Health Care Services; Stipulation Extending Deadline for Debtors and the Official Committee of Unsecured Creditors, 1041 Memorandum of points and authorities). (Moyron, Tania) (Entered: 12/14/2018)
12/14/2018	1065 (30 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1013, 1014, 1015 and 1017* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1013 Notice, 1014 Stipulation By Verity Health System of California, Inc. and *American VitalCare, Inc. and Pharmacy Corporation of America; Third Stipulation Extending Deadline for American VitalCare, Inc. and Pharmacy Corporation of America to File Assumption Obj, 1015 Stipulation By Verity Health System of California, Inc. and UnitedHealthcare Insurance Company; Third Stipulation Extending Deadline for UnitedHealthcare Insurance Company to File Assumption Objection [Related to Docket Nos. 810, 895, 991], 1017 Stipulation By Verity Health System of California, Inc. and Shared Imaging; Second Stipulation Extending Deadline for Shared Imaging to File Assumption Objection [Related to Docket Nos. 810, 995]). (Moyron, Tania) (Entered: 12/14/2018)*
12/14/2018	1066 (14 pgs)	Response to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Filed by Interested Party Xavier Becerra, Attorney General of California (Berry, Alicia) (Entered: 12/14/2018)*
12/14/2018	1067 (11 pgs)	Objection (related document(s): 1041 Memorandum of points and authorities filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Stationary Engineers Local 39 (Rich, Emily) (Entered: 12/14/2018)
12/14/2018	1068 (6 pgs)	Response to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) / Reservation of Rights of Premier, Inc. and Its Subsidiaries with Respect to Debtors Motion for Approval of Sale of OConnor Hospital, Saint Louise Regional Hospital and Related Assets Filed by Creditor Premier, Inc. (Mortimer, Marianne) (Entered: 12/14/2018)*
12/14/2018	1069 (12 pgs; 2 docs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 998 Supplemental filed by Debtor Verity Health System of California, Inc.) (OBJECTION OF INFOR (US), INC. TO DEBTORS' SALE MOTION AND SUPPLEMENTAL CURE NOTICE) Filed by Creditor Infor (US), Inc. (Attachments: # 1 Proof of Service) (Petersen, Christopher) (Entered: 12/14/2018)*
12/14/2018	1070 (6 pgs)	Response to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) and Reservation of Rights Filed by Creditor Shared Imaging, LLC (Morse, Kevin) (Entered: 12/14/2018)*
12/14/2018	1071	Declaration re: *In Support of Objection of Cigna Entities To Notice to*

	(14 pgs; 2 docs)	*Counterparties To Executory Contracts And Unexpired Leases of The Debtors That May Be Assumed and Assigned* Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (RE: related document(s)905 Objection). (Attachments: # 1 Proof of Service) (Rathbone, William) (Entered: 12/14/2018)
12/14/2018	1072 (14 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Creditor SpecialtyCare Cardiovascular Resources, LLC (Attard, Lauren)re JIMMY D. PARRISH. Modified on 1/25/2019 (Lomeli, Lydia R.). (Entered: 12/14/2018)
12/14/2018	1073 (2 pgs)	Reply to (related document(s): 400 Motion to Reject Lease or Executory Contract */ Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with Sports, Orthopedic and Rehabilitation Associates (SOAR) and Related Executory Contracts and filed by Debtor Verity Health System of California, Inc., 665 Objection filed by Creditor Sports, Orthopedic and Rehabilitation Associates) Response To Limited Objection To Debtors Motion To Reject, Pursuant To 11 U.S.C. § 365(A) [Sic] Professional Services Agreement With Sports, Orthopedic And Rehabilitation Associates (Soar) And Related Executory Contracts And Unexpired Leases Nunc Pro Tunc Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/14/2018)*
12/14/2018	1074 (11 pgs)	Notice of lodgment Filed by Creditor SpecialtyCare Cardiovascular Resources, LLC (RE: related document(s)1072 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Creditor SpecialtyCare Cardiovascular Resources, LLC). (Attard, Lauren) (Entered: 12/14/2018)
12/14/2018	1075 (7 pgs)	Stipulation By Verity Health System of California, Inc. and *UMB Bank N.A., as Successor Master Trustee for the Master Indenture Obligations, Wells Fargo Bank, National Association as Series 2005 Bond Trustee, and U.S. Bank National Association, as Series 2015 and Series 2017 Note Collateral Agent and Note Trustee* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/14/2018)
12/14/2018	1076 (9 pgs)	Notice *of Corrected Proof of Service* Filed by Creditor SpecialtyCare Cardiovascular Resources, LLC (RE: related document(s)1072 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Creditor SpecialtyCare Cardiovascular Resources, LLC, 1074 Notice of lodgment Filed by Creditor SpecialtyCare Cardiovascular Resources, LLC (RE: related document(s)1072 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Creditor SpecialtyCare Cardiovascular Resources, LLC).). (Attard, Lauren) (Entered: 12/14/2018)
12/14/2018	1077 (14 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1038 Motion for relief from automatic stay ACTION IN NON-BANKRUPTCY FORUM (BNC-PDF)) No. of Notices: 3. Notice Date 12/14/2018. (Admin.) (Entered: 12/14/2018)
12/14/2018	1078 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1039 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/14/2018. (Admin.) (Entered: 12/14/2018)
12/15/2018	1079 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1042 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/15/2018. (Admin.) (Entered: 12/15/2018)
12/17/2018	1080	Objection (related document(s): 998 Supplemental filed by Debtor Verity

	(22 pgs; 2 docs)	Health System of California, Inc.) */C. R. Bard, Inc.'s Limited Objection and Reservation of Rights to Proposed Cure Amounts on Supplemental Executory Contract List* Filed by Creditor C. R. Bard, Inc. (Attachments: # 1 Proof of Service) (Eckhardt, Kevin) (Entered: 12/17/2018)
12/17/2018	1081 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Debotrs and the Official Committee of Unsecured Creditors, on the one hand, and California Department of Health Care Services, on the other (Amended Stipulation)* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/17/2018)
12/17/2018	1082 (12 pgs)	Response to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Reservation of Rights Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Strabo, Jason) (Entered: 12/17/2018)*
12/17/2018	1083 (2 pgs)	Order Approving Stipulation Extending Objection Deadline Re: Santa Clara County Sale (BNC-PDF) (Related Doc # 1075) Signed on 12/17/2018 (Lomeli, Lydia R.) (Entered: 12/17/2018)
12/17/2018	1084 (15 pgs)	Response to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) and Reservation of Rights Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (O'Brient, Abigail) (Entered: 12/17/2018)*
12/17/2018	1085 (14 pgs)	Objection (related document(s): 889 Objection filed by Creditor Roche Diagnostics Corporation, 998 Supplemental filed by Debtor Verity Health System of California, Inc.) *Supplemental Objection and Reservation of Rights of Roche Diagnostics Corporation with Respect to Debtors' Supplemental Cure Notice* Filed by Creditor Roche Diagnostics Corporation (Laurin, Paul) (Entered: 12/17/2018)
12/17/2018	1086 (8 pgs)	Declaration re: -- *Declaration of Douglas Durbin in Support of the (A) Limited Objection and Reservation of Rights of Roche Diagnostics Corporation to (I) Debtors' Proposed Cure Amount for Potential Assumption and Assignment of Agreements and (II) Sale Motion; and (B) Supplemental Objection and Reservation of Rights of Roche Diagnostics Corporation with Respect to Debtors' Supplemental Cure Notice* Filed by Creditor Roche Diagnostics Corporation (RE: related document(s)1085 Objection). (Laurin, Paul) (Entered: 12/17/2018)
12/17/2018	1087 (3 pgs)	Notice *Related to Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 365, 724, 1041]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And*

		Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 724 Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; The Sale Hearing shall be held on December 19, 2018 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012 (BNC-PDF) (Related Doc 365) Signed on 10/31/2018, 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc..). (Moyron, Tania) (Entered: 12/17/2018)
12/17/2018	1088 (12 pgs; 2 docs)	Objection (related document(s): 998 Supplemental filed by Debtor Verity Health System of California, Inc.) *by CIGNA Entities* Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (Attachments: # 1 Proof of Service) (Rathbone, William) (Entered: 12/17/2018)
12/17/2018	1089 (17 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 810 Notice filed by Debtor Verity Health System of California, Inc., 998 Supplemental filed by Debtor Verity Health System of California, Inc.) NTT DATA Services Holding Corporations Limited Objection To Supplement To Notice To Counterparties To Executory Contracts And Unexpired Leases Of The Debtors That May Be Assumed And Assigned (with proof of service) Filed by Creditor NTT DATA Services Holding Corporation (Guess, David) (Entered: 12/17/2018)*
12/17/2018	1090 (14 pgs)	Withdrawal re: *Notice of Withdrawal Without Prejudice of Limited Objection of the Federal Communications Commission to Debtors' Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking House Bidder and for Prospective Overbidders to Use, (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Protections; (3) Approving Form of Notice to be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens, and Encumbrances; and Memorandum of Points and Authorities in Support Thereof [with Proof of Service]* Filed by Creditor United States of America, on behalf of the Federal Communications Commission. (Levey, Elan) (Entered: 12/17/2018)
12/17/2018	1091 (6 pgs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) *Objection to Cure Amount Alleged by Debtors Under the Executory Contract with Workday, Inc.* Filed by Creditor Workday, Inc. (Hogue, Michael) (Entered: 12/17/2018)

12/17/2018	1092 (9 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 998 Supplemental filed by Debtor Verity Health System of California, Inc.) Limited Objection and Reservation of Rights of NantWorks, LLC to Supplement to Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors that may be Assumed and Assigned Filed by Creditor Nantworks, LLC (Bennett, Bruce) (Entered: 12/17/2018)*
12/17/2018	1093 (9 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 998 Supplemental filed by Debtor Verity Health System of California, Inc.) / Objection of Premier, Inc. and Its Subsidiaries to Proposed Assumption and Assignment of Contracts, and Cure Amounts; Declaration of David H. Harriss Filed Concurrently Herewith Filed by Creditor Premier, Inc. (Mortimer, Marianne) (Entered: 12/17/2018)*
12/17/2018	1094 (8 pgs)	Declaration re: */ Declaration of David H. Harriss In Support of Objection of Premier, Inc. and Its Subsidiaries to Proposed Assumption and Assignment of Contracts, and Cure Amounts* Filed by Creditor Premier, Inc. (RE: related document(s)1093 Objection). (Mortimer, Marianne) (Entered: 12/17/2018)
12/17/2018	1095 (13 pgs; 2 docs)	Opposition to (related document(s): 998 Supplemental filed by Debtor Verity Health System of California, Inc.) *Limited Objection of Cerner Corporation to Supplemental Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May Be Assumed and Assigned* Filed by Creditor Cerner Corporation (Attachments: # 1 Declaration of Darrell W. Clark ISO Limited Objection of Cerner Corporation to Supplement to Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May Be Assumed and Assigned) (Hilton, Lawrence) (Entered: 12/17/2018)
12/17/2018	1096 (7 pgs)	Objection (related document(s): 998 Supplemental filed by Debtor Verity Health System of California, Inc.) *Limited Objection to Cure Notice and to Proposed Assumption and Assignment of Executory Contracts* Filed by Creditor Experian Health, Inc (Nahmias, Alan) (Entered: 12/17/2018)
12/17/2018	1097 (21 pgs)	Request for judicial notice Filed by Creditor Experian Health, Inc (RE: related document(s)1096 Objection). (Nahmias, Alan) (Entered: 12/17/2018)
12/18/2018	1098 (9 pgs)	Reply to (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 1041 Memorandum of points and authorities filed by Debtor Verity Health System of California, Inc., 1061 Objection filed by Creditor California Nurses Association, 1067 Objection filed by Creditor Stationary Engineers Local 39) Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/18/2018)*
12/18/2018	1099 (139 pgs; 6 docs)	Application for Compensation *Berkeley Research Group, LLC's Second Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period October 1, 2018 Through October 31, 2018* for Berkeley Research Group LLC, Financial Advisor, Period: 10/1/2018 to 10/31/2018, Fee: $1,020,861.20, Expenses: $115,564.09. Filed by Financial Advisor Berkeley Research Group LLC (Attachments: # 1

		Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E) (Moyron, Tania) (Entered: 12/18/2018)
12/18/2018	1100 (9 pgs; 2 docs)	Withdrawal re: *Objection of Pension Benefit Guaranty Corporation to the Debtors' Motion for Bidding Proceedures* Filed by Creditor Pension Benefit Guaranty Corporation (RE: related document(s)439 Objection). (Attachments: # 1 Proof of Service Document) (Ngo, Melissa) (Entered: 12/18/2018)
12/18/2018	1101 (8 pgs)	Stipulation By Verity Health System of California, Inc. and *Sports, Orthopedic and Rehabilitation Associates; Stipulation for Entry of an Order Resolving Motion to Reject, Pursuant to 11 U.S.C. Section 365(a), Professional Services Agreement with Sports, Orthopedic and Rehabilitation Associates (SOAR) and Related Executory Contracts and Unexpired Leases Nunc Pro Tunc [Related Dkt. Nos. 400, 665]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/18/2018)
12/18/2018	1102 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1050, 1073 and 1075* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1050 Errata, 1075 Stipulation By Verity Health System of California, Inc. and *UMB Bank N.A., as Successor Master Trustee for the Master Indenture Obligations, Wells Fargo Bank, National Association as Series 2005 Bond Trustee, and U.S. Bank National Association, a). (Moyron, Tania) (Entered: 12/18/2018)*
12/18/2018	1103 (20 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1042 and 1044* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1042 Stipulation and ORDER thereon (BNC-PDF), 1044 Declaration). (Moyron, Tania) (Entered: 12/18/2018)
12/18/2018	1104 (26 pgs)	Notice *Notice Of Filing Of Proposed Order (A) Authorizing The Sale Of Certain Of The Debtors Assets To Santa Clara County Free And Clear Of Liens, Claims, Encumbrances, And Other Interests; (B) Approving The Assumption And Assignment Of An Unexpired Lease Related Thereto; And (C) Granting Related Relief* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Moyron, Tania) (Entered: 12/18/2018)
12/19/2018	1105 (2 pgs)	Order Approving Stipulation extending deadline for Debtors and the Official Committee of Unsecured Creditors to file reply to objection shall have until December 18, 2018 to reply to the obbjection. (BNC-PDF) (Related Doc # 1081) Signed on 12/19/2018 (Lewis, Litaun) (Entered: 12/19/2018)
12/19/2018	1106 (10 pgs)	Notice *of Contracts Designated by Santa Clara County For Assumption and Assignment* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections,*

(3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 724 Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; The Sale Hearing shall be held on December 19, 2018 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012 (BNC-PDF) (Related Doc 365) Signed on 10/31/2018, 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc.., 1087 Notice *Related to Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 365, 724, 1041]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 724 Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; The Sale Hearing shall be held on December 19, 2018 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012 (BNC-PDF) (Related Doc 365) Signed on 10/31/2018, 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules*

		6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof Filed by Debtor Verity Health System of California, Inc..).). (Moyron, Tania) (Entered: 12/19/2018)
12/19/2018	1107 (3 pgs)	Hearing Held (RE: related document(s)899 Motion to Extend/Limit Exclusivity Period filed by Debtor Verity Health System of California, Inc.) (Lewis, Litaun) Additional attachment(s) added on 12/19/2018 (Lewis, Litaun). (Entered: 12/19/2018)
12/19/2018	1108	Hearing Held on 12/19/2018 at 10:00 a.m. re: Motion For Sale of Property of the Estate under Section 363(b) - No Fee Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances 365 - Tentative Ruling Under Submission (Lewis, Litaun) (Entered: 12/19/2018)
12/19/2018	1109	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Klinger, Marilyn. (Klinger, Marilyn)WARNING: See docket entry no. 1112 for corrective actions Modified on 12/20/2018 (Cowan, Sarah). (Entered: 12/19/2018)
12/19/2018	1110 (14 pgs)	Notice *Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 365, 724, 1041, 1087, 1106]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Moyron, Tania) (Entered: 12/19/2018)
12/19/2018	1111 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1083 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/19/2018. (Admin.) (Entered: 12/19/2018)
12/20/2018	1112	Notice to Filer of Error and/or Deficient Document **Other PDF document was not flattened prior to filing. Instructions for flattening a PDF document are available on the courts website under CM/ECF Instructions to flatten PDF files. THE FILER IS INSTRUCTED TO RE-FILE THE FLATTENED DOCUMENT IMMEDIATELY.** (RE: related document(s)1109 Request for Removal from Courtesy Notice of Electronic Filing (NEF) filed by Interested Party Courtesy NEF) (Cowan, Sarah) (Entered: 12/20/2018)
12/20/2018	1113 (15 pgs)	Application for Compensation *Pachulski Stang Ziehl & Jones LLP's Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period November 1 - November 30, 2018* for Pachulski Stang Ziehl & Jones LLP, Debtor's Attorney, Period: 11/1/2018

		to 11/30/2018, Fee: $47859.25, Expenses: $501.64. Filed by Attorney Pachulski Stang Ziehl & Jones LLP (Cho, Shirley) (Entered: 12/20/2018)
12/20/2018	1114 (3 pgs)	Optional Appellee Statement of Election to Proceed in U.S. District Court RE: 18-1322 (Originally filed at BAP 12/19/2018). (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A)). (Milano, Sonny) (Entered: 12/20/2018)
12/20/2018	1115 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) *Re: related documents 1109 and 1112* Filed by Klinger, Marilyn. (Klinger, Marilyn) (Entered: 12/20/2018)
12/20/2018	1116 (3 pgs)	Notice *Second Supplement To The Notice Of Second Monthly Fee Applications Of Professionals Paid By The Debtors For Allowance And Payment Of Interim Compensation & Reimbursement Of Expenses* Filed by Debtor Verity Health System of California, Inc.. (Maizel, Samuel) (Entered: 12/20/2018)
12/20/2018	1117 (10 pgs)	Notice *and Request for Removal of Email and United States Mail Notifications* Filed by Attorney Hartford Fire Insurance Company. (Klinger, Marilyn) (Entered: 12/20/2018)
12/20/2018	1118 (1 pg)	Transcript Order Form , regarding Hearing Date 12/19/18 Filed by Interested Party County of Santa Clara (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use,, 400 Motion to Reject Lease or Executory Contract / Notice of Motion and Motion to Reject Pursuant to 11 U.S.C. § 365(a) Professional Services Agreement with Sports, Orthopedic and Rehabilitation Associates (SOAR) and Related Executory Contracts and, 899 Motion to Extend Exclusivity Period for Filing a Chapter 11 Plan and Disclosure Statement Debtors' Notice of Motion and Motion for Entry of an Order Pursuant to Section 1121 of the Bankruptcy Code Extending the Exclusive Periods to File a Chapte). (Evangelista, Maria) (Entered: 12/20/2018)*
12/20/2018	1119	Transcript Record Transmittal (Court transcript records have been uploaded to FDS). For Order Number: 18-ER-22. RE Hearing Date: 12/19/18, [TRANSCRIPTION SERVICE PROVIDER: Ben Hyatt Certified Deposition Reporters, Telephone number 888-272-0022.] (RE: related document(s)1118 Transcript Order Form (Public Request) filed by Interested Party County of Santa Clara) (Evangelista, Maria) (Entered: 12/20/2018)
12/20/2018	1120 (7 pgs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) *(Amended Objection)* Filed by Creditor Care 1st Health Plan (Reynolds, Michael) (Entered: 12/20/2018)
12/20/2018	1121 (7 pgs)	Objection (related document(s): 810 Notice filed by Debtor Verity Health System of California, Inc.) *(Amended Objection)* Filed by Creditor California Physicians' Service dba Blue Shield of California (Reynolds, Michael) (Entered: 12/20/2018)
12/21/2018	1122 (36 pgs)	Application for Compensation -*[Levene, Neale, Bender, Yoo & Brills Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period November 1, 2018 Through November 30, 2018 (POS Attached)]*- for Levene, Neale, Bender, Yoo & Brill L.L.P., Special Counsel, Period: 11/1/2018 to 11/30/2018, Fee: $12803.20, Expenses: $117.72. Filed by Attorney Levene, Neale, Bender, Yoo & Brill L.L.P. (Kim, Monica) (Entered: 12/21/2018)
12/21/2018	1123	Application for Compensation -*[Patient Care Ombudsmans Monthly Fee*

	(33 pgs)	*Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period November 1, 2018 Through November 30, 2018 For Himself And For Dr. Tim Stacy DNP, ACNP-BC (POS Attached)]*- for Jacob Nathan Rubin, Ombudsman Health, Period: 11/1/2018 to 11/30/2018, Fee: $65080.00, Expenses: $1873.61. Filed by Health Care Ombudsman Jacob Nathan Rubin (Kim, Monica) (Entered: 12/21/2018)
12/21/2018	1124 (1 pg)	Appeal Transferred Notice from BAP to USDC RE: CC 18-1322 (Originally filed at BAP 12/21/2018). (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A) filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Milano, Sonny) (Entered: 12/21/2018)
12/21/2018	1125 (9 pgs)	Order providing notice of the court's intent to authorize the debtors to sell hospitals Free and Clear of the 2015 conditions asserted by the California Attorney General (BNC-PDF) (Related Doc # doc) Signed on 12/21/2018 (Lewis, Litaun) (Entered: 12/21/2018)
12/21/2018	1126 (21 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1104, 1105 and 1106* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1104 Notice, 1105 Stipulation and ORDER thereon (BNC-PDF), 1106 Notice). (Moyron, Tania) (Entered: 12/21/2018)
12/21/2018	1127 (21 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1081, 1083 and 1087* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1081 Stipulation By Verity Health System of California, Inc. and *Debotrs and the Official Committee of Unsecured Creditors, on the one hand, and California Department of Health Care Services, on the other (Amended Stipulation)*, 1083 Stipulation and ORDER thereon (BNC-PDF), 1087 Notice). (Moyron, Tania) (Entered: 12/21/2018)
12/21/2018	1128 (43 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1110 Notice). (Moyron, Tania) (Entered: 12/21/2018)
12/21/2018	1129 (21 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1098, 1099 and 1101* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1099 Application for Compensation *Berkeley Research Group, LLC's Second Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period October 1, 2018 Through October 31, 2018* for Berke, 1101 Stipulation By Verity Health System of California, Inc. and *Sports, Orthopedic and Rehabilitation Associates; Stipulation for Entry of an Order Resolving Motion to Reject, Pursuant to 11 U.S.C. Section 365(a), Professional Services Agreement with). (Moyron, Tania) (Entered: 12/21/2018)*
12/21/2018	1130 (2 pgs)	Order Granting Application To Appear pro hac vice (BNC-PDF) (Related Doc # 1072) Signed on 12/21/2018 (Lewis, Litaun) (Entered: 12/21/2018)
12/21/2018	1131 (53 pgs)	Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 11/1/2018 to 11/30/2018, Fee: $102,669.92, Expenses: $151.57. Filed by Special Counsel Nelson Hardiman LLP (Shirley, Rosa) (Entered: 12/21/2018)
12/21/2018	1132	Proof of service Filed by Special Counsel Nelson Hardiman LLP (RE: related

	(16 pgs)	document(s)1131 Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 11/1/2018 to 11/30/2018, Fee: $102,669.92, Expenses: $151.57.). (Shirley, Rosa) (Entered: 12/21/2018)
12/21/2018	1133 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1105 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 12/21/2018. (Admin.) (Entered: 12/21/2018)
12/23/2018	1134 (15 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1125 Order on Motion To Sell (BNC-PDF)) No. of Notices: 3. Notice Date 12/23/2018. (Admin.) (Entered: 12/23/2018)
12/23/2018	1135 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1130 Order on Motion to Appear pro hac vice (BNC-PDF)) No. of Notices: 3. Notice Date 12/23/2018. (Admin.) (Entered: 12/23/2018)
12/24/2018	1136 (2 pgs)	Brief *in Response to Order* Filed by Interested Party County of Santa Clara (RE: related document(s)1125 Order on Motion To Sell (BNC-PDF)). (Jones, Gregory) (Entered: 12/24/2018)
12/24/2018	1137 (2 pgs)	Statement *Official Committee of Unsecured Creditors' Response to the Court's Order Providing Notice of the Court's Intent to Authorize the Debtors to Sell Hospitals Free and Clear of the 2015 Conditions Asserted by the California Attorney General [Docket No. 1125]* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.. (Behrens, James) (Entered: 12/24/2018)
12/24/2018	1138 (20 pgs)	Proof of service Filed by Interested Party County of Santa Clara (RE: related document(s)1136 Brief). (Jones, Gregory) (Entered: 12/24/2018)
12/24/2018	1139 (3 pgs)	Statement *Debtors Response To Order Providing Notice Of The Courts Intent To Authorize The Debtors To Sell Hospitals Free And Clear Of The 2015 Conditions Asserted By The California Attorney General* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 12/24/2018)
12/24/2018	1140 (20 pgs)	Statement *ATTORNEY GENERAL RESPONSE TO THE COURTS PRELIMINARY FINDINGS AND CONCLUSIONS RE: COURTS ORDER PROVIDING NOTICE OF THE COURTS INTENT TO AUTHORIZE THE DEBTORS TO SELL HOSPITALS FREE AND CLEAR OF THE 2015 CONDITIONS ASSERTED BY THE CALIFORNIA ATTORNEY GENERAL; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF; DECLARATION OF* Filed by Interested Party Attorney General For The State Of Ca. (Berry, Alicia) (Entered: 12/24/2018)
12/24/2018	1141 (3 pgs)	Declaration re: *Declaration Of Douglas M. Press In Response To The Filing By The California Attorney General [Docket No. 1140] And In Support Of Entry Of The Order (1) Approving Sale Of Certain Assets To Santa Clara County Free And Clear Of All Encumbrances; (2) Approving Of Debtors Assumption And Assignment Of Certain Unexpired Leases And Executory Contracts And Determining Cure Amounts And Approving Of Debtors Rejection Of Those Unexpired Leases And Executory Contracts Which Are Not Assumed And Assigned; (3) Waiving The 14-Day Stay Periods Set Forth In Bankruptcy Rules 6004(H) And 6006(D); And (4) Granting Related Relief* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use,). (Moyron, Tania) (Entered: 12/24/2018)*

12/26/2018	1142 (12 pgs)	Proof of service *for Official Committee of Unsecured Creditors' Response to the Court's Order Providing Notice of the Court's Intent to Authorize the Debtors to Sell Hospitals Free and Clear of the 2015 Conditions Asserted by the California Attorney General* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1137 Statement). (Behrens, James) (Entered: 12/26/2018)
12/26/2018	1143 (9 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *Joseph D. Frank (with receipt attached)* Filed by Creditor Experian Health, Inc (Nahmias, Alan) (Entered: 12/26/2018)
12/26/2018	1144 (23 pgs)	Errata *NOTICE OF ERRATA RE ATTORNEY GENERAL'S RESPONSE FILED ON December 24, 2018* Filed by Interested Party Xavier Becerra, Attorney General of California (RE: related document(s)1140 Statement). (Berry, Alicia) (Entered: 12/26/2018)
12/26/2018	1145 (6 pgs)	Notice *of Filing Listing Objections To Proposed Cure Amounts and Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Re: Order (A) Authorizing The Sale of Certain of The Debtors Assets To Santa Clara County Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) Approving The Assumption and Assignment of an Unexpired Lease Related Thereto; and (C) Granting Related Relief* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A) filed by Debtor Verity Health System of California, Inc., 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc.. filed by Debtor Verity Health System of California, Inc.). (Moyron, Tania) (Entered: 12/26/2018)
12/26/2018	1146 (12 pgs)	Memorandum of Decision Overruling Objections Of The California Attorney General To The Debtors' Sale Motion (BNC-PDF) (Related Doc # 1041) Signed on 12/26/2018 (Lomeli, Lydia R.) (Entered: 12/26/2018)
12/26/2018	1147 (9 pgs)	Motion to Extend Time *To Assume or Reject Unexpired Leases of Nonresidential Real Property; Declaration of Richard Adcock In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 12/26/2018)
12/26/2018	1148	Transcript regarding Hearing Held 12/19/18 RE: In Re: Verity Health System of California, Inc.. Remote electronic access to the transcript is restricted until 03/26/2019. The transcript may be viewed at the Bankruptcy Court Clerk's Office on a public terminal **or** purchased through the Transcription Service

		Provider before the transcript access restriction has ended. [TRANSCRIPTION SERVICE PROVIDER: Ben Hyatt Corporation, Telephone number 8882720022.]. Notice of Intent to Request Redaction Deadline Due By 1/2/2019. Redaction Request Due By 01/16/2019. Redacted Transcript Submission Due By 01/28/2019. Transcript access will be restricted through 03/26/2019. (Hyatt, Mitchell) (Entered: 12/26/2018)
12/26/2018	1149 (28 pgs)	Notice *of Filing of Redline of Changes To Proposed Order (A) Authorizing The Sale of Certain of The Debtors Assets To Santa Clara County Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) Approving The Assumption and Assignment of An Unexpired Lease Related Thereto; and (C) Granting Related Relief [Filed At Docket No. 1104]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc.., 1104 Notice *Notice Of Filing Of Proposed Order (A) Authorizing The Sale Of Certain Of The Debtors Assets To Santa Clara County Free And Clear Of Liens, Claims, Encumbrances, And Other Interests; (B) Approving The Assumption And Assignment Of An Unexpired Lease Related Thereto; And (C) Granting Related Relief* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)).). (Moyron, Tania) (Entered: 12/26/2018)
12/26/2018	1150 (25 pgs)	Notice of lodgment Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain*

		Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Moyron, Tania) (Entered: 12/26/2018)
12/27/2018	1151	Hearing Set (RE: related document(s)1147 Motion to Extend Time filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 1/16/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 12/27/2018)
12/27/2018	1152 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Montgomery, Susan. (Montgomery, Susan) (Entered: 12/27/2018)
12/27/2018	1153 (24 pgs)	Order (A) Authorizing The Sale Of Certain Of The Debtors' Assets To Santa Clara County Free And Clear Of Liens, Claims, Encumbrances, And Other Interests; (B) Approving The Assumption And Assignment Of An Unexpired Lease Related Thereto; And (C) Granting Related Relief. ♦The following hearings shall be held on January 30, 2019, at 10:00 a.m. (Pacific Time): (1) Hearing re: issues pertaining to the transfer and/or assumption of Medi-Cal and Medicare Provider Agreements, if necessary; (2) Hearing re: rejection and/or modification of collective bargaining agreements; and (3) Continued hearing re: Cure Objections. If necessary, a hearing on objections filed in connection with the Subsequently Identified Designated Contracts shall be held on February 13, 2018, at 10:00 a.m. (Pacific Time). (BNC-PDF) (Related Doc # 365) Signed on 12/27/2018 (Lomeli, Lydia R.) (Entered: 12/27/2018)
12/27/2018	1154	Hearing Set re 1153 (1) Issues pertaining to the transfer and/or assumption of Medi-Cal and Medicare Provider Agreements; (2) Rejection and/or modification of collective bargaining agreements. The Hearing date is set for 1/30/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 12/27/2018)
12/27/2018	1155	Hearing Set re Cure Objections. 1153 The Hearing date is set for 1/30/2019 at 10:00 AM at Crtrm 1545, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 12/27/2018)
12/27/2018	1156	Hearing Set re objections filed in connection with the Subsequently Identified Designated Contracts 1153 . The Hearing date is set for 2/13/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 12/27/2018)
12/28/2018	1157 (22 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1145, 1147, 1149 and 1150* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1145 Notice, 1147 Motion to Extend Time *To Assume or Reject Unexpired Leases of Nonresidential Real Property; Declaration of Richard Adcock In Support Thereof*, 1149 Notice, 1150 Notice of Lodgment). (Moyron, Tania) (Entered: 12/28/2018)
12/28/2018	1158 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Order Providing Notice of the Court's Intent to Authorize the Debtors to Sell Hospitals Free and Clear of the 2015 Conditions Asserted by the California Attorney General* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1125 Order on Motion To Sell (BNC-PDF)). (Moyron, Tania) (Entered: 12/28/2018)
12/28/2018	1159	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants,*

	(17 pgs)	*LLC Regarding Docket Numbers 1139 and 1141* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1139 Statement, 1141 Declaration). (Moyron, Tania) (Entered: 12/28/2018)
12/28/2018	1160 (21 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1113, 1114 and 1116* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1113 Application for Compensation *Pachulski Stang Ziehl & Jones LLP's Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period November 1 - November 30, 2018* for Pachulski Stang, 1116 Notice). (Moyron, Tania) (Entered: 12/28/2018)
12/28/2018	1161 (3 pgs)	Order Granting Stipulation and ORDER thereonOrder Approving Stipulation Between Verity Mob Financing, LLC And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (Lomeli, Lydia R.) (Entered: 12/28/2018)
12/28/2018	1162 (3 pgs)	Order Approving Stipulation Between Verity Mob Financing II, LLC And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1047) Signed on 12/28/2018 (Lomeli, Lydia R.) (Entered: 12/28/2018)
12/28/2018	1163 (3 pgs)	Order Approving Stipulation Between U.S. Bank National Association And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1048) Signed on 12/28/2018 (Lomeli, Lydia R.) (Entered: 12/28/2018)
12/28/2018	1164 (3 pgs)	Order Approving Stipulation Between UMB Bank, N.A. And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1049) Signed on 12/28/2018 (Lomeli, Lydia R.) (Entered: 12/28/2018)
12/28/2018	1165 (2 pgs)	Order Granting Motion For An Order Authorizing Debtors To Pay Certain Prepetition Conduit Claims (BNC-PDF) (Related Doc # 847) Signed on 12/28/2018 (Lomeli, Lydia R.) (Entered: 12/28/2018)
12/28/2018	1166 (3 pgs)	Order Approving Stipulation Resolving Motion To Reject, Pursuant To 11 U.S.C. 365(A), Professional Services Agreement With Sports, Orthopedic And Rehabilitation Associates (Soar) And Related Executory Contracts And Unexpired Leases Nunc Pro Tunc [Related Dkt. Nos. 400, 665] (BNC-PDF) (Related Doc # 1101) Signed on 12/28/2018 (Lomeli, Lydia R.) (Entered: 12/28/2018)
12/28/2018	1167 (2 pgs)	Order Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule re JOSEPH D. FRANK (BNC-PDF) (Related Doc # 1143) Signed on 12/28/2018 (Lomeli, Lydia R.) (Entered: 12/28/2018)
12/28/2018	1168 (2 pgs)	Order Granting Motion to Extend Exclusivity Period for Filing a Chapter 11 Plan and Disclosure Statement . The exclusivity periods within which the Debtors may file a plan of reorganization and obtain acceptances of such plan of reorganization are extended by an additional 120 days through and including April 28, 2019, and through and including June 27, 2019, respectively. (BNC-PDF) (Related Doc # 899) Signed on 12/28/2018 (Lomeli, Lydia R.) (Entered: 12/28/2018)
12/28/2018	1169 (18 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1146 Memorandum of decision (BNC-PDF)) No. of Notices: 3. Notice Date 12/28/2018. (Admin.) (Entered: 12/28/2018)

12/29/2018	1170 (30 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1153 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF)) No. of Notices: 3. Notice Date 12/29/2018. (Admin.) (Entered: 12/29/2018)
12/31/2018	1171 (2 pgs)	Assignment Notice of USDC Case/Judge to Appeal Transferred from BAP RE: CC 18-1322; 2:18-cv-10675-RGK (Originally filed at District Court 12/27/2018). (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A) filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Milano, Sonny) (Entered: 12/31/2018)
12/31/2018	1172 (54 pgs)	Monthly Operating Report. Operating Report Number: Number 3. For the Month Ending November 30, 2018 Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 12/31/2018)
12/31/2018	1173 (7 pgs)	Objection (related document(s): 1110 Notice filed by Debtor Verity Health System of California, Inc.) - *Limited Objection to Amended Notice of Contracts Designated By Santa Clara County For Assumption and Assignment* Filed by Creditor Kaiser Foundation Hospitals (Prince, Christopher) (Entered: 12/31/2018)
12/31/2018	1174 (57 pgs)	Errata *Notice of Errata Re November Monthly Operating Report [Relates to Docket No. 1172]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1172 Monthly Operating Report). (Moyron, Tania) (Entered: 12/31/2018)
01/02/2019	1175 (13 pgs)	Response to (related document(s): 1147 Motion to Extend Time *To Assume or Reject Unexpired Leases of Nonresidential Real Property; Declaration of Richard Adcock In Support Thereof* filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/02/2019)
01/02/2019	1176 (37 pgs)	Application *FTI Consulting, Inc.'s Third Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of November 1, 2018 - November 30, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/02/2019)
01/02/2019	1177 (76 pgs)	Application *Milbank, Tweed, Hadley & McCloy LLP's Third Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of November 1, 2018 - November 30, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/02/2019)
01/02/2019	1178 (255 pgs; 3 docs)	Application for Compensation *Dentons US LLP's Third Professional Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period November 2018* for Samuel R Maizel, Debtor's Attorney, Period: 11/1/2018 to 11/30/2018, Fee: $631,697.68, Expenses: $2,081.79. Filed by Attorney Samuel R Maizel (Attachments: # 1 Exhibit A # 2 Exhibit B) (Maizel, Samuel) (Entered: 01/02/2019)
01/02/2019	1179 (4 pgs)	Notice *of Third Monthly Fee Applications of Professionals Paid by the Debtors for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1113 Application for Compensation *Pachulski Stang Ziehl & Jones LLP's Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period November 1 -*

		November 30, 2018 for Pachulski Stang Ziehl & Jones LLP, Debtor's Attorney, Period: 11/1/2018 to 11/30/2018, Fee: $47859.25, Expenses: $501.64. Filed by Attorney Pachulski Stang Ziehl & Jones LLP, 1122 Application for Compensation -*[Levene, Neale, Bender, Yoo & Brills Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period November 1, 2018 Through November 30, 2018 (POS Attached)]*- for Levene, Neale, Bender, Yoo & Brill L.L.P., Special Counsel, Period: 11/1/2018 to 11/30/2018, Fee: $12803.20, Expenses: $117.72. Filed by Attorney Levene, Neale, Bender, Yoo & Brill L.L.P., 1123 Application for Compensation -*[Patient Care Ombudsmans Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period November 1, 2018 Through November 30, 2018 For Himself And For Dr. Tim Stacy DNP, ACNP-BC (POS Attached)]*- for Jacob Nathan Rubin, Ombudsman Health, Period: 11/1/2018 to 11/30/2018, Fee: $65080.00, Expenses: $1873.61. Filed by Health Care Ombudsman Jacob Nathan Rubin, 1131 Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 11/1/2018 to 11/30/2018, Fee: $102,669.92, Expenses: $151.57. Filed by Special Counsel Nelson Hardiman LLP, 1176 Application *FTI Consulting, Inc.'s Third Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of November 1, 2018 - November 30, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al., 1177 Application *Milbank, Tweed, Hadley & McCloy LLP's Third Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of November 1, 2018 - November 30, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al., 1178 Application for Compensation *Dentons US LLP's Third Professional Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period November 2018* for Samuel R Maizel, Debtor's Attorney, Period: 11/1/2018 to 11/30/2018, Fee: $631,697.68, Expenses: $2,081.79. Filed by Attorney Samuel R Maizel (Attachments: # 1 Exhibit A # 2 Exhibit B)). (Maizel, Samuel) (Entered: 01/02/2019)
01/02/2019	1180 (40 pgs; 2 docs)	Motion *Debtors' Notice and Motion to Approve Settlement and Asset Purchase Agreement By and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc.; Declaration of Richard G. Adcock in Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit 1) (Moyron, Tania) (Entered: 01/02/2019)
01/02/2019	1181 (125 pgs; 4 docs)	Motion *Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit # 2 Exhibit # 3 Exhibit) (Moyron, Tania) (Entered: 01/02/2019)
01/02/2019	1182 (269 pgs; 7 docs)	Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Closing of the Sale of Hospitals to the County of Santa Clara* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit # 2 Exhibit # 3 Exhibit # 4 Exhibit # 5 Exhibit # 6 Exhibit) (Moyron, Tania) (Entered: 01/02/2019)
01/02/2019	1183 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1161 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 01/02/2019. (Admin.) (Entered: 01/02/2019)
01/02/2019	1184 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1162 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date

		01/02/2019. (Admin.) (Entered: 01/02/2019)
01/02/2019	1185 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1163 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 01/02/2019. (Admin.) (Entered: 01/02/2019)
01/02/2019	1186 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1164 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 01/02/2019. (Admin.) (Entered: 01/02/2019)
01/02/2019	1187 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1165 Order on Generic Motion (BNC-PDF)) No. of Notices: 3. Notice Date 01/02/2019. (Admin.) (Entered: 01/02/2019)
01/02/2019	1188 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1166 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 3. Notice Date 01/02/2019. (Admin.) (Entered: 01/02/2019)
01/02/2019	1189 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1167 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 3. Notice Date 01/02/2019. (Admin.) (Entered: 01/02/2019)
01/02/2019	1190 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1168 Order on Motion to Extend Exclusivity Period (BNC-PDF)) No. of Notices: 3. Notice Date 01/02/2019. (Admin.) (Entered: 01/02/2019)
01/02/2019	1191 (31 pgs; 2 docs)	Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement with O'Connor Hospital Upon Closing of the Sale of these Hospitals to the County of Santa Clara* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit) (Moyron, Tania) (Entered: 01/02/2019)
01/02/2019	1192 (283 pgs; 4 docs)	Motion *Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Closing of the Sale of Hospitals to the County of Santa Clara* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit # 2 Exhibit # 3 Exhibit) (Moyron, Tania) (Entered: 01/02/2019)
01/02/2019	1193 (6 pgs)	Declaration re: *Richard G. Adcock's Declaration in Support of Debtors' 1113 Motions* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1181 Motion *Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale*, 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl, 1191 Motion Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement with O'Connor Hospital Upon Closing of the Sale of these Hospita, 1192 Motion Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Cl). (Moyron, Tania) (Entered: 01/02/2019)*
01/02/2019	1194 (6 pgs)	Declaration re: *James Maloney Declaration in Support of 1113 Motions* Filed by Debtor Verity Health System of California, Inc. (RE: related

		document(s)1181 Motion *Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale*, 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl, 1191 Motion Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement with O'Connor Hospital Upon Closing of the Sale of these Hospita, 1192 Motion Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Cl). (Moyron, Tania) (Entered: 01/02/2019)*
01/02/2019	1195 (322 pgs; 12 docs)	Declaration re: *Sam J. Alberts Declaration* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1181 Motion *Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale*, 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl, 1191 Motion Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement with O'Connor Hospital Upon Closing of the Sale of these Hospita, 1192 Motion Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Cl). (Attachments: # 1 Exhibit # 2 Exhibit # 3 Exhibit # 4 Exhibit # 5 Exhibit # 6 Exhibit # 7 Exhibit # 8 Exhibit # 9 Exhibit # 10 Exhibit # 11 Exhibit) (Moyron, Tania) (Entered: 01/02/2019)*
01/03/2019	1196	Hearing Set (RE: related document(s)1180 Generic Motion filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 1/23/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lewis, Litaun) (Entered: 01/03/2019)
01/03/2019	1197	Hearing Set (RE: related document(s)1181 Generic Motion filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 1/30/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lewis, Litaun) (Entered: 01/03/2019)
01/03/2019	1198	Hearing Set (RE: related document(s)1182 Generic Motion filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 1/30/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lewis, Litaun) (Entered: 01/03/2019)
01/03/2019	1199	Hearing Set (RE: related document(s)1191 Generic Motion filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 1/30/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lewis, Litaun) (Entered: 01/03/2019)
01/03/2019	1200	Hearing Set (RE: related document(s)1192 Generic Motion filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 1/30/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lewis, Litaun) (Entered: 01/03/2019)

01/03/2019	1201 (294 pgs; 8 docs)	Adversary case 2:19-ap-01002. Complaint by ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation, ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation against LOCAL INITIATIVE HEALTH AUTHORITY FOR LOS ANGELES COUNTY DBA L.A. CARE HEALTH PLAN, an independent local public agency. (Charge To Estate). */COMPLAINT FOR BREACH OF WRITTEN CONTRACTS, TURNOVER, UNJUST ENRICHMENT, DAMAGES FOR VIOLATION OF THE AUTOMATIC STAY, AND INJUNCTIVE RELIEF* (Attachments: # 1 Exhibit Exhibit A # 2 Exhibit Exhibit B # 3 Exhibit Exhibit C # 4 Exhibit Exhibit D # 5 Exhibit Exhibit E # 6 Adversary Proceeding Cover Sheet # 7 Notice of Required Compliance Bk Rule 7026) Nature of Suit: (11 (Recovery of money/property - 542 turnover of property)),(14 (Recovery of money/property - other)),(71 (Injunctive relief - reinstatement of stay)) (Kahn, Steven) (Entered: 01/03/2019)
01/03/2019	1202 (461 pgs; 12 docs)	Declaration re: *Corrected Declaration of Sam J. Alberts in Support of Motions to Reject or Modify Collective Bargaining Agreements [Relates to Docket Nos. 1181, 1182, 1191, 1192, 1195]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1181 Motion *Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale*, 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl, 1191 Motion Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement with O'Connor Hospital Upon Closing of the Sale of these Hospita, 1192 Motion Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Cl, 1195 Declaration). (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 # 4 Exhibit 4 # 5 Exhibit 5 # 6 Exhibit 6 # 7 Exhibit 7 # 8 Exhibit 8 # 9 Exhibit 9 # 10 Exhibit 10 # 11 Exhibit 11) (Moyron, Tania) (Entered: 01/03/2019)*
01/03/2019	1203 (97 pgs)	Application for Compensation *Berkeley Research Group, LLC's Third Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period November 1, 2018 Through November 30, 2018* for Berkeley Research Group LLC, Financial Advisor, Period: 11/1/2018 to 11/30/2018, Fee: $760,107.60, Expenses: $71,951.09. Filed by Financial Advisor Berkeley Research Group LLC (Moyron, Tania) (Entered: 01/03/2019)
01/04/2019	1204 (3 pgs)	Supplemental *Supplement to the Notice of Third Monthly Fee Applications of Professionals Paid by the Debtors for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* Filed by Debtor Verity Health System of California, Inc.. (Maizel, Samuel) (Entered: 01/04/2019)
01/04/2019	1205 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Rhim, J.. (Rhim, J.) (Entered: 01/04/2019)
01/07/2019	1206 (5 pgs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) re Patrick C. Maxcy. Modified on 1/7/2019 (Lomeli, Lydia R.). (Entered: 01/07/2019)
01/07/2019	1207 (79 pgs; 3 docs)	Notice of Appeal and Statement of Election to U.S. District Court.(Official Form 417A) . Fee Amount $298 Filed by Interested Party Attorney General For The State Of Ca (RE: related document(s)1146 Memorandum of decision (BNC-PDF), 1153 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF)). Appellant Designation due by 01/22/2019. (Attachments: # 1

		Exhibit Memorandum of Decision # 2 Exhibit Sale Order)(Berry, Alicia) Additional attachment(s) added on 1/7/2019 (Milano, Sonny). (Entered: 01/07/2019)
01/07/2019		Receipt of Notice of Appeal and Statement of Election (Official Form 417A) (2:18-bk-20151-ER) [appeal,ntcaplel] (298.00) Filing Fee. Receipt number 48311624. Fee amount 298.00. (re: Doc# 1207) (U.S. Treasury) (Entered: 01/07/2019)
01/07/2019	1208 (2 pgs)	Order Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF) RE PATRICK C. MAXCY. (Related Doc # 1206) Signed on 1/7/2019 (Lomeli, Lydia R.) (Entered: 01/07/2019)
01/07/2019	1209	Notice to Filer of Error and/or Deficient Document **Incorrect/incomplete/unreadable PDF was attached to the docket entry. All PDF files must be flattened prior to uploading in the courts CM/ECF system - Court Manual Section 3.5(k). THE COURT HAS CORRECTED THIS INFORMATION. THIS ENTRY IS PROVIDED FOR FUTURE REFERENCE.** (RE: related document(s)1207 Notice of Appeal and Statement of Election (Official Form 417A) filed by Interested Party Attorney General For The State Of Ca) (Milano, Sonny) (Entered: 01/07/2019)
01/07/2019	1210 (56 pgs; 2 docs)	Notice of Referral of Appeal to the United States District Court, Central District of California; with Notice of Appeal Service List. (RE: related document(s)1207 Notice of Appeal and Statement of Election (Official Form 417A) filed by Interested Party Attorney General For The State Of Ca) (Attachments: # 1 Notice of Appeal and Statement of Election) (Milano, Sonny) (Entered: 01/07/2019)
01/08/2019	1211 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Shickich, Joseph. (Shickich, Joseph) (Entered: 01/08/2019)
01/08/2019	1212 (2 pgs)	Original signature page Of Declaration Of Richard Adcock In Support Of Motion To Approve Settlement And Asset Purchase Agreement By And Between The Debtors, Verity Medical Foundation And Verity Health Services Of California, Inc., And All Care Medical Group, Inc. [Dkt. No. 1180] *Submission Of Signature Page Of Declaration Of Richard Adcock In Support Of Motion To Approve Settlement And Asset Purchase Agreement By And Between The Debtors, Verity Medical Foundation And Verity Health Services Of California, Inc., And All Care Medical Group, Inc. [Relates To Dkt. No. 1180]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 01/08/2019)
01/08/2019	1213 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Hayes, James. (Hayes, James) (Entered: 01/08/2019)
01/09/2019	1214 (754 pgs; 5 docs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Order (A) Authorizing the Sale of Certain of the Debtors' Assets to Santa Clara County Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) Approving the Assumption and Assignment of an Unexpired Lease Related Thereto; and (C) Granting Related Relief* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1153 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF)). (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D) (Moyron, Tania) (Entered: 01/09/2019)
01/09/2019	1215 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1172 and 1174* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1172

		Monthly Operating Report, 1174 Errata). (Moyron, Tania) (Entered: 01/09/2019)
01/09/2019	1216 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *California Physicians' Service dba Blue Shield of California; Stipulation Extending Deadline for California Physicians' Service dba Blue Shield of California to File Objection to Debtors' Motion to Approve Settlement and Asset Purchase Agreement by and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc. [Related Dkt. No 1180]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/09/2019)
01/09/2019	1217 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *the Official Committee of Unsecured Creditors; Stipulation Extending Deadline for the Official Committee of Unsecured Creditors to File Objection to Debtors' Motion to Approve Settlement and Asset Purchase Agreement by and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc. [Related Dkt. No. 1180]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/09/2019)
01/09/2019	1218 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Health Net of California, Inc.; Stipulation Extending Deadline for Health Net of California, Inc. to File Objection to Debtors' Motion to Approve Settlement and Asset Purchase Agreement by and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc. [Related Dkt. No. 1180]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/09/2019)
01/09/2019	1219 (32 pgs)	Motion To Stay Pending Appeal (related documents 1207 Notice of Appeal and Statement of Election (Official Form 417A)) Filed by Interested Party Attorney General For The State Of Ca (Berry, Alicia) (Entered: 01/09/2019)
01/09/2019	1220 (15 pgs; 2 docs)	Ex parte application *For Order Setting Hearing on Shortened Notice* Filed by Interested Party Attorney General For The State Of Ca (Attachments: # 1 Affidavit Declaration of Alicia Berry) (Berry, Alicia) (Entered: 01/09/2019)
01/09/2019	1221 (15 pgs; 2 docs)	Notice of lodgment Filed by Interested Party Attorney General For The State Of Ca (RE: related document(s)1220 Ex parte application *For Order Setting Hearing on Shortened Notice* Filed by Interested Party Attorney General For The State Of Ca (Attachments: # 1 Affidavit Declaration of Alicia Berry)). (Attachments: # 1 Proposed Order) (Berry, Alicia) (Entered: 01/09/2019)
01/09/2019	1222 (33 pgs)	Statement *of Issues and Designation of Record with Respect to Appeal of Final Order Granting Authority to Obtain Postpetition Financing and Related Relief* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.. (Behrens, James) WARNING: See entry 1231 for corrective action. Attorney to re-file using the correct event code: Statement of Issues on Appeal. Modified on 1/10/2019 (Lomeli, Lydia R.). (Entered: 01/09/2019)
01/09/2019	1223 (13 pgs)	Notice *of Transcripts Designated for an Appeal* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1222 Statement *of Issues and Designation of Record with Respect to Appeal of Final Order Granting Authority to Obtain Postpetition Financing and Related Relief* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al..). (Behrens, James) WARNING: See entry 1231 for corrective action. Attorney to re-file using the correct event

		code: Notice of transcripts. Modified on 1/10/2019 (Lomeli, Lydia R.). (Entered: 01/09/2019)
01/09/2019	1224 (6 pgs)	Declaration re: *Executed Declaration In Support Of The Retention Of Ordinary Course Professionals Re Motion Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)693 Order on Generic Motion (BNC-PDF)). (Moe, John) (Entered: 01/09/2019)
01/09/2019	1225 (8 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1208 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 4. Notice Date 01/09/2019. (Admin.) (Entered: 01/09/2019)
01/10/2019	1226 (3 pgs)	Order: (1) Denying California Attorney General's Application For A Hearing On Shortened Notice And (2) Setting Hearing On Attorney General's Motion For Stay Pending Appeal For January 30, 2019, At 10:00 A.M. (BNC-PDF) (Related Doc # 1220) Signed on 1/10/2019 (Lomeli, Lydia R.) (Entered: 01/10/2019)
01/10/2019	1227	Hearing Set (RE: related document(s)1219 Motion To Stay Pending Appeal filed by Interested Party Attorney General For The State Of Ca) The Hearing date is set for 1/30/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 01/10/2019)
01/10/2019	1228 (2 pgs)	Order Approving Stipulation Extending Deadline For California Physicians' Service Dba Blue Shield Of California To File Objection To Debtors' Motion To Approve Settlement And Asset Purchase Agreement By And Between The Debtors, Verity Medical Foundation And Verity Health Services Of California, Inc., And All Care Medical Group, Inc. [Related Dkt. No. 1180] (BNC-PDF) (Related Doc # 1216) Signed on 1/10/2019 (Lomeli, Lydia R.) (Entered: 01/10/2019)
01/10/2019	1229 (2 pgs)	Order Approving Stipulation Extending Deadline For The Official Committee Of Unsecured Creditors To File Objection To Debtors' Motion To Approve Settlement And Asset Purchase Agreement By And Between The Debtors, Verity Medical Foundation And Verity Health Services Of California, Inc., And All Care Medical Group, Inc. [Related Dkt. No. 1180] (BNC-PDF) (Related Doc # 1217) Signed on 1/10/2019 (Lomeli, Lydia R.) (Entered: 01/10/2019)
01/10/2019	1230 (2 pgs)	Order Approving Stipulation Extending Deadline For Health Net Of California, Inc. To File Objection To Debtors' Motion To Approve Settlement And Asset Purchase Agreement By And Between The Debtors, Verity Medical Foundation And Verity Health Services Of California, Inc., And All Care Medical Group, Inc. [Related Dkt. No. 1180] (BNC-PDF) (Related Doc # 1218) Signed on 1/10/2019 (Lomeli, Lydia R.) (Entered: 01/10/2019)
01/10/2019	1231	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT.** WARNING: Attorney to re-file these two documents using the correct event codes: (1) Statement of Issues on Appeal; (2) Notice of transcripts (RE: related document(s)1222 Statement filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al., 1223 Notice filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Lomeli, Lydia R.) (Entered: 01/10/2019)

01/10/2019	1232 (2 pgs)	Original signature page Debtor's Notice of Motion and Motion for Entry of an Order Pursuant to Section 365(d)(4) of the Bankruptcy Code Extending the Time to Assume or Reject Unexpired Leases of Nonresidential Real Property; Declaration of Richard Adcock in Support Thereof [Dkt. No. 1147] *Signature Page for Declaration of Richard Adcock* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 01/10/2019)
01/10/2019	1233 (12 pgs)	Notice of transcripts *Designated for an Appeal* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A)). (Behrens, James) (Entered: 01/10/2019)
01/10/2019	1234 (33 pgs)	Statement of Issues on Appeal *Official Committee of Unsecured Creditors' Statement of Issues and Designation of Record with Respect to Appeal of Final Order Granting Authority to Obtain PostPetition Financing and Related Relief [Dkt. 409]* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A)). (Behrens, James) (Entered: 01/10/2019)
01/11/2019	1235 (9 pgs)	Notice of Hearing *On California Attorney General's Motion to Stay the Court's Order (A) Authorizing the Sale of Certain of the Debtors' Assets to Santa Clara County Free and Clear of Liens, Claims, Encumbrances,and Other Interests Pending Appeal of the Court's Memorandum of Decision Overruling Objections of the California Attorney General and Sale Order* Filed by Interested Party Xavier Becerra, Attorney General of California (RE: related document(s)1219 Motion To Stay Pending Appeal (related documents 1207 Notice of Appeal and Statement of Election (Official Form 417A)) Filed by Interested Party Attorney General For The State Of Ca). (Berry, Alicia) (Entered: 01/11/2019)
01/11/2019	1236 (17 pgs; 2 docs)	Motion *Notice of Motion and Motion for an Order Establishing Bar Date for Filing Proofs of Claim; Memorandum of Points and Authorities; Declaration of Richard G. Adcock in Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A) (Maizel, Samuel) (Entered: 01/11/2019)
01/11/2019	1237 (2 pgs)	Notice RE: Appeal from Bankruptcy Court (USDC) RE: 2:19-cv-00133-DMG (Originally filed at District Court 01/07/2019). (RE: related document(s)1207 Notice of Appeal and Statement of Election (Official Form 417A) filed by Interested Party Attorney General For The State Of Ca) (Milano, Sonny) (Entered: 01/11/2019)
01/11/2019	1238	Hearing Set re: Motion to stay the court's order (A) authorizing the sale of certain of the debtors' assets to Santa Clara County Free and Clear of Liens, Claims, Encumbrances and other interests pending appeal of the court's memorandum of decision overruling objections of the California Attorney General and Sale order 1235 The Hearing date is set for 1/30/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lewis, Litaun) (Entered: 01/11/2019)
01/11/2019	1239 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Newman, Nancy. (Newman, Nancy) (Entered: 01/11/2019)
01/12/2019	1240 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1226 ORDER shortening time (BNC-PDF)) No. of Notices: 4. Notice Date 01/12/2019. (Admin.) (Entered: 01/12/2019)
01/12/2019	1241	BNC Certificate of Notice - PDF Document. (RE: related document(s)1228

	(9 pgs)	Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/12/2019. (Admin.) (Entered: 01/12/2019)
01/12/2019	1242 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1229 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/12/2019. (Admin.) (Entered: 01/12/2019)
01/12/2019	1243 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1230 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/12/2019. (Admin.) (Entered: 01/12/2019)
01/14/2019	1244 (16 pgs)	Notice - *Stipulation Between Ally Bank and Official Committee of Unsecured Creditors Regarding Dip Order Appeal.* Filed by Creditor ALLY BANK, Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)932 Notice of Appeal and Statement of Election to Bankruptcy Appellate Panel.(Official Form 417A) . Fee Amount $298 Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)409 Order on Motion to Use Cash Collateral (BNC-PDF)). Appellant Designation due by 12/13/2018.). (Lemke, David) (Entered: 01/14/2019)
01/14/2019	1245 (10 pgs)	Objection (related document(s): 1180 Motion *Debtors' Notice and Motion to Approve Settlement and Asset Purchase Agreement By and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc.; Declaration of Richard G filed by Debtor Verity Health System of California, Inc.) (Conditional Objection) Filed by Creditor California Physicians' Service dba Blue Shield of California (Still, Andrew) (Entered: 01/14/2019)*
01/14/2019	1246 (17 pgs; 2 docs)	Opposition to (related document(s): 1180 Motion *Debtors' Notice and Motion to Approve Settlement and Asset Purchase Agreement By and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc.; Declaration of Richard G filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Health Net of California, Inc. (Attachments: # 1 Proof of Service) (Freeman, William) (Entered: 01/14/2019)*
01/14/2019	1247 (8 pgs)	Declaration re: *of Dana Slavett in Support of Limited Opposition of Health Net of California, Inc. 1246* Filed by Creditor Health Net of California, Inc. (RE: related document(s)1180 Motion *Debtors' Notice and Motion to Approve Settlement and Asset Purchase Agreement By and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc.; Declaration of Richard G). (Freeman, William) (Entered: 01/14/2019)*
01/14/2019	1248 (3 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing, LLC Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/14/2019)
01/14/2019	1249 (3 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing II, LLC Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/14/2019)
01/14/2019	1250 (3 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *UMB Bank, N.A. Regarding Challenge*

		Deadline Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/14/2019)
01/14/2019	1251 (5 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *U.S. Bank National Association Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/14/2019)
01/14/2019	1252 (14 pgs)	Response to (related document(s): 1180 Motion *Debtors' Notice and Motion to Approve Settlement and Asset Purchase Agreement By and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc.; Declaration of Richard G filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/14/2019)*
01/14/2019	1253 (13 pgs)	Proof of service Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1248 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing, LLC Extending Challenge Deadline*, 1249 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing II, LLC Extending Challenge Deadline*, 1250 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *UMB Bank, N.A. Regarding Challenge Deadline*, 1251 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *U.S. Bank National Association Extending Challenge Deadline*). (Behrens, James) (Entered: 01/14/2019)
01/15/2019	1254 (44 pgs; 2 docs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)* Filed by Creditor Smith & Nephew, Inc. (Attachments: # 1 Proposed Order on Application of Non-Resident Attorney to Appear in A Specific Case [LB 2090-1(b)]) (Eckhardt, Kevin) re: Shannon E. Daily. Modified on 1/15/2019 (Lomeli, Lydia R.). WARNING: See entry 1261 for corrective action. Attorney to lodge order via LOU. Modified on 1/15/2019 (Lomeli, Lydia R.). (Entered: 01/15/2019)
01/15/2019	1255 (20 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1178, 1179, 1180 and 1181* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1178 Application for Compensation *Dentons US LLP's Third Professional Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period November 2018* for Samuel R Maizel, Debtor's Attorney,, 1179 Notice, 1180 Motion *Debtors' Notice and Motion to Approve Settlement and Asset Purchase Agreement By and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc.; Declaration of Richard G, 1181 Motion Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale). (Moyron, Tania) (Entered: 01/15/2019)*
01/15/2019	1256 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Supplement to the Notice of Third Monthly Fee Applications of Professionals Paid by the Debtors for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1204 Supplemental). (Moyron, Tania) (Entered: 01/15/2019)

01/15/2019	1257 (22 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Submission of Signature Page of Declaration of Richard Adcock in Support of Motion to Approve Settlement and Asset Purchase Agreement by and Between the Debtors, Verity Medical Foundation and Verity Health Services of Californai, Inc., and All Care Medical Group, Inc. [Relates to Dkt. No. 1180]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1212 Original signature page). (Moyron, Tania) (Entered: 01/15/2019)
01/15/2019	1258 (20 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1182, 1191, 1192, 1193, 1194, 1195, 1201, 1202 and 1203* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl, 1191 Motion Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement with O'Connor Hospital Upon Closing of the Sale of these Hospita, 1192 Motion Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Cl, 1193 Declaration, 1194 Declaration, 1195 Declaration, 1202 Declaration, 1203 Application for Compensation Berkeley Research Group, LLC's Third Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period November 1, 2018 Through November 30, 2018 for Berk). (Moyron, Tania) (Entered: 01/15/2019)*
01/15/2019	1259 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1165, 1166, 1168, 1206 and 1208* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1165 Order on Generic Motion (BNC-PDF), 1166 Stipulation and ORDER thereon (BNC-PDF), 1168 Order on Motion to Extend Exclusivity Period (BNC-PDF), 1206 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *2090-1(b)*, 1208 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)). (Moyron, Tania) (Entered: 01/15/2019)
01/15/2019	1260 (5 pgs)	Stipulation By Verity Health System of California, Inc. and *Smith & Nephew, Inc.; Stipulation Reserving Rights Regarding Ownership of Certain Equipment* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/15/2019)
01/15/2019	1261	Notice to Filer of Error and/or Deficient Document **Other -** WARNING: Attorney to lodge order via LOU. (RE: related document(s)1254 Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule filed by Creditor Smith & Nephew, Inc.) (Lomeli, Lydia R.) (Entered: 01/15/2019)
01/16/2019	1262 (2 pgs)	Order Approving Stipulation Reserving Rights Regarding Ownership Of Certain Equipment (BNC-PDF) (Related Doc # 1260) Signed on 1/16/2019 (Lomeli, Lydia R.) (Entered: 01/16/2019)
01/16/2019	1263 (6 pgs)	Declaration re: *Disclosure Declaration Of David F. Mastan In Support Of Retention Of Stephenson, Acquisto & Colman As An Ordinary Course Professional* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)693 Order on Generic Motion (BNC-PDF)). (Moe, John) (Entered: 01/16/2019)
01/16/2019	1264	Stipulation By Verity Health System of California, Inc. and *Engineers and*

	(3 pgs)	*Scientists of California, IFPTE Local 20; Stipulation Extending Deadline for Engineers and Scientists of California, IFPTE Local 20 to File Objection to Debtors' Motion Under Section 1113 of the Bankruptcy Code to Reject and Terminate the Terms of Engineers and Scientists of California, IFPTE Local 20's Collective Bargaining Agreements with O'Connor Hospital and Saint Louise Regional Hospital Upon the Closing of the Sale of Hospitals to the County of Santa Clara [Related to Dkt. No. 1181]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/16/2019)
01/16/2019	1265 (3 pgs)	Order Approving Stipulation Between Verity Mob Financing, LLC And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1248) Signed on 1/16/2019 (Lomeli, Lydia R.) (Entered: 01/16/2019)
01/16/2019	1266 (3 pgs)	Order Approving Stipulation Between Verity Mob Financing II LLC And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1249) Signed on 1/16/2019 (Lomeli, Lydia R.) (Entered: 01/16/2019)
01/16/2019	1267 (3 pgs)	Order Approving Second Stipulation Between UMB Bank, N.A. And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1250) Signed on 1/16/2019 (Lomeli, Lydia R.) (Entered: 01/16/2019)
01/16/2019	1268 (3 pgs)	Order Approving Stipulation Between U.S. Bank National Association And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1251) Signed on 1/16/2019 (Lomeli, Lydia R.) (Entered: 01/16/2019)
01/16/2019	1269 (332 pgs; 6 docs)	Objection (related document(s): 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl filed by Debtor Verity Health System of California, Inc., 1193 Declaration filed by Debtor Verity Health System of California, Inc., 1194 Declaration filed by Debtor Verity Health System of California, Inc., 1195 Declaration filed by Debtor Verity Health System of California, Inc.) Filed by Creditor California Nurses Association (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 # 4 Exhibit 4 # 5 Proof of Service) (Skogstad, Kyrsten) (Entered: 01/16/2019)*
01/16/2019	1270 (30 pgs; 8 docs)	Declaration re: *Andrew Prediletto Declaration In Support Of Objection to 1113 Motion Filed by Debtor Verity Health System of California, Inc.* Filed by Creditor California Nurses Association (RE: related document(s)1269 Objection). (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 # 4 Exhibit 4 # 5 Exhibit 5 # 6 Exhibit 6 # 7 Proof of Service) (Skogstad, Kyrsten) (Entered: 01/16/2019)
01/16/2019	1271 (23 pgs)	Opposition to (related document(s): 1192 Motion *Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Cl filed by Debtor Verity Health System of California, Inc.) SEIU-UHW's Opposition To Debtors' Motion Under Section 1113 To Modify, Reject and Terminate SEIU-UHW's CBA With Certain Debtors (Doc. 1192) Filed by Creditor SEIU United Healthcare Workers - West (Rich, Emily) (Entered: 01/16/2019)*
01/16/2019	1272 (3 pgs)	Declaration re: *Declaration of Greg Pullman In Opposition To Debtors' Motion Under Section 1113 To Modify, Reject and Terminate SEIU-UHW's CBA With Certain Debtors* Filed by Creditor SEIU United Healthcare

		Workers - West (RE: related document(s)1271 Opposition). (Rich, Emily) (Entered: 01/16/2019)
01/16/2019	1273 (31 pgs; 6 docs)	Declaration re: *Declaration of Emily P. Rich In Opposition To Debtors' Motion Under Section 1113 To Modify, Reject and Terminate SEIU-UHW's CBA With Certain Debtors* Filed by Creditor SEIU United Healthcare Workers - West (RE: related document(s)1271 Opposition). (Attachments: # 1 Exhibit Exhibit A # 2 Exhibit Exhibit B # 3 Exhibit Exhibit C # 4 Exhibit Exhibit D # 5 Exhibit Exhibit E) (Rich, Emily) (Entered: 01/16/2019)
01/16/2019	1274 (7 pgs)	Certificate of Service *Proof of Service* Filed by Creditor SEIU United Healthcare Workers - West (RE: related document(s)1271 Opposition). (Rich, Emily) (Entered: 01/16/2019)
01/16/2019	1275 (3 pgs)	Hearing Held (RE: related document(s)1147 Motion to Extend Time filed by Debtor Verity Health System of California, Inc.) (read ruling attached).The Debtors shall submit a conforming order, incorporating this tentativeruling by reference, within seven days of the hearing. Granted. (Lomeli, Lydia R.) Additional attachment(s) added on 1/16/2019 (Lomeli, Lydia R.). (Entered: 01/16/2019)
01/17/2019	1276 (16 pgs)	Response to (related document(s): 1181 Motion *Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale* filed by Debtor Verity Health System of California, Inc., 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl filed by Debtor Verity Health System of California, Inc., 1191 Motion Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement with O'Connor Hospital Upon Closing of the Sale of these Hospita filed by Debtor Verity Health System of California, Inc., 1192 Motion Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Cl filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/17/2019)*
01/17/2019	1277 (2 pgs)	Order Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF) re Shannon E. Daily (Related Doc # 1254) Signed on 1/17/2019 (Lomeli, Lydia R.) (Entered: 01/17/2019)
01/17/2019	1278 (2 pgs)	Order Approving Stipulation Extending Deadline For Engineers And Scientists Of California, IFPTE Local 20 To File Objection To Debtors' Motion Under section 1113 Of The Bankruptcy Code To Reject And Terminate The Terms Of Engineers And Scientists Of California, IFPTE Local 20's Collective Bargaining Agreements With O?connor Hospital And Saint Louise Regional Hospital Upon The Closing Of The Sale Of Hospitals To The County Of Santa Clara [Related Dkt. No. 1181] (BNC-PDF) (Related Doc # 1264) Signed on 1/17/2019 (Lomeli, Lydia R.) (Entered: 01/17/2019)
01/17/2019	1279 (117 pgs)	Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice To Be Provided To Interested Parties; (4) Scheduling A Court Hearing To Consider Approval of The Sale To The Highest Bidder; and (5) Approving Procedures Related To The Assumption of Certain Executory Contracts and*

		Unexpired Leases; and (II) An Order (A) Authorizing The Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Memorandum of Points and Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/17/2019)
01/17/2019	1280 (17 pgs)	Stipulation By Swinerton Builders and *Debtors (Second) to Continue Hearing on Motion for Amendment of Findings in Final Order (I) Authorizing Postpetition Financing [...]* Filed by Creditor Swinerton Builders (Schultz, Nathan) (Entered: 01/17/2019)
01/17/2019	1281 (59 pgs)	Application *For Order Setting Hearing on Shortened Notice [LBR 9075-1(B)]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/17/2019)
01/18/2019	1282 (2 pgs)	Order Setting Hearing On Shortened Notice On Debtors Bidding Procedures Motion [Doc. No. 1279]. February 6, 2019, at 10:00 a.m., (BNC-PDF) (Related Doc # doc) Signed on 1/18/2019 (Lomeli, Lydia R.) (Entered: 01/18/2019)
01/18/2019	1283	Hearing Set (RE: related document(s)1279 Motion for the Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice to be Provided to Interested Parties; (4) Scheduling a Court Hearing to ConsiderApproval of the Sale to the Highest Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) An Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances [Doc. No. 1279] filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 2/6/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 01/18/2019)
01/18/2019	1284 (27 pgs)	Declaration re: *DECLARATION OF PIERRE A. ESPENAN IN SUPPORT OF DEBTORS MOTION TO APPROVE SETTLEMENT AGREEMENT AND ASSET PURCHASE AGREEMENT BY AND BETWEEN THE DEBTORS VERITY MEDICAL FOUNDATION AND VERITY HEALTH SERVICES OF CALIFORNIA, INC. AND ALL CARE MEDICAL GROUP, INC. (WITH PROOF OF SERVICE)* Filed by Interested Party All Care Medical Group, Inc. (RE: related document(s)576 Motion to Reject Lease or Executory Contract *Debtors Notice Of Motion And Motion To Reject, Pursuant To 11 U.S.C. § 365(A), Professional Services Agreement With All Care Medical Group, Inc. And Related Executory Contracts And Unexpired Lease Nun). (Ngo, Bryan) (Entered: 01/18/2019)*
01/18/2019	1285 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Engineers and Scientists of California, IFPTE Local 20; Second Stipulation Extending Deadline for Engineers and Scientists of California, IFPTE Local 20 to File Objection to Debtors' Motion Under Section 1113 of the Bankruptcy Code to Reject and Terminate the Terms of Engineers and Scientists of California, IFPTE Local 20's Collective Bargaining Agreements with O'Connor Hospital and Saint Louise Regional Hospital Upon the Closing of the Sale of Hospitals to the County of Santa Clara [Related Dkt. No. 1181]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/18/2019)
01/18/2019	1286 (30 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1216, 1217, 1218 and 1224* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1216 Stipulation By Verity Health System of California, Inc. and *California Physicians' Service dba Blue Shield of California; Stipulation*

		Extending Deadline for California Physicians' Service dba Blue Shield of California to File Objection, 1217 Stipulation By Verity Health System of California, Inc. and the Official Committee of Unsecured Creditors; Stipulation Extending Deadline for the Official Committee of Unsecured Creditors to File Objection to Debtors' Motion to Approve Settl, 1218 Stipulation By Verity Health System of California, Inc. and Health Net of California, Inc.; Stipulation Extending Deadline for Health Net of California, Inc. to File Objection to Debtors' Motion to Approve Settlement and Asset Purchase Agree, 1224 Declaration). (Moyron, Tania) (Entered: 01/18/2019)
01/18/2019	1287 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Notice of Motion and Motion for an Order Establishing Bar Date for Filing Proofs of Claim; Memorandum of Points and Authorities; Declaration of Richard G. Adcock in Support Thereof* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1236 Motion *Notice of Motion and Motion for an Order Establishing Bar Date for Filing Proofs of Claim; Memorandum of Points and Authorities; Declaration of Richard G. Adcock in Support Thereof*). (Moyron, Tania) (Entered: 01/18/2019)
01/18/2019	1288 (30 pgs)	Certificate of Service *Declaration of Kurtzman Carson Consultants, LLC Regarding Docket Number 1228, 1229, 1230 and 1232* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1228 Stipulation and ORDER thereon (BNC-PDF), 1229 Stipulation and ORDER thereon (BNC-PDF), 1230 Stipulation and ORDER thereon (BNC-PDF), 1232 Original signature page). (Moyron, Tania) (Entered: 01/18/2019)
01/18/2019	1289 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Stipulation Between the Debtors and Smith & Nephew Reserving Rights Regarding Ownership of Certain Equipment* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1260 Stipulation By Verity Health System of California, Inc. and *Smith & Nephew, Inc.; Stipulation Reserving Rights Regarding Ownership of Certain Equipment*). (Moyron, Tania) (Entered: 01/18/2019)
01/18/2019	1290 (12 pgs)	Notice *of Resolved and Unresolved Cure Objections Relating to Executory Contracts and Unexpired Leases Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 1106, 1110, 1145, 1153]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1106 Notice *of Contracts Designated by Santa Clara County For Assumption and Assignment* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 724 Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And

Clear Of All Claims, Liens And Encumbrances; The Sale Hearing shall be held on December 19, 2018 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012 (BNC-PDF) (Related Doc 365) Signed on 10/31/2018, 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc.., 1087 Notice *Related to Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 365, 724, 1041]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 724 Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; The Sale Hearing shall be held on December 19, 2018 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012 (BNC-PDF) (Related Doc 365) Signed on 10/31/2018, 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc..).)., 1110 Notice *Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 365, 724, 1041, 1087, 1106]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property*

		Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A))., 1145 Notice *of Filing Listing Objections To Proposed Cure Amounts and Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Re: Order (A) Authorizing The Sale of Certain of The Debtors Assets To Santa Clara County Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) Approving The Assumption and Assignment of an Unexpired Lease Related Thereto; and (C) Granting Related Relief* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A) filed by Debtor Verity Health System of California, Inc., 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc.. filed by Debtor Verity Health System of California, Inc.)., 1153 Order (A) Authorizing The Sale Of Certain Of The Debtors' Assets To Santa Clara County Free And Clear Of Liens, Claims, Encumbrances, And Other Interests; (B) Approving The Assumption And Assignment Of An Unexpired Lease Related Thereto; And (C) Granting Related Relief. The following hearings shall be held on January 30, 2019, at 10:00 a.m. (Pacific Time): (1) Hearing re: issues pertaining to the transfer and/or assumption of Medi-Cal and Medicare Provider Agreements, if necessary; (2) Hearing re: rejection and/or modification of collective bargaining agreements; and (3) Continued hearing re: Cure Objections. If necessary, a hearing on objections filed in connection with the Subsequently Identified Designated Contracts shall be held on February 13, 2018, at 10:00 a.m. (Pacific Time). (BNC-PDF) (Related Doc # 365) Signed on 12/27/2018 (Lomeli, Lydia R.)). (Moyron, Tania) (Entered: 01/18/2019)
01/18/2019	1291 (6 pgs)	Reply to (related document(s): 1180 Motion *Debtors' Notice and Motion to Approve Settlement and Asset Purchase Agreement By and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc.; Declaration of Richard G filed by Debtor Verity Health System of California, Inc., 1245 Objection filed by Creditor California Physicians' Service dba Blue Shield of California, 1246 Opposition filed by Creditor Health Net of California, Inc.) Reply to Blue Shield and Health Net Limited Objections to Debtors' Motion to Approve Settlement and Asset Purchase Agreement by and Between the Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and All Care Medical Group, Inc. [Related Dkt. Nos. 1180, 1245, 1246] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/18/2019)*
01/18/2019	1292	Reply to (related document(s): 1106 Notice filed by Debtor Verity Health

	(6 pgs)	System of California, Inc., 1110 Notice filed by Debtor Verity Health System of California, Inc., 1145 Notice filed by Debtor Verity Health System of California, Inc., 1153 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF)) *Omnibus Reply to Cure Objections Relating to Executory Contracts and Unexpired Leases Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 1106, 1110, 1145, 1153]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/18/2019)
01/18/2019	1293 (12 pgs)	Notice of transcripts *Designated for Appeal* Filed by Interested Party Attorney General For The State Of Ca (RE: related document(s)1207 Notice of Appeal and Statement of Election (Official Form 417A)). (Berry, Alicia) (Entered: 01/18/2019)
01/18/2019	1294 (24 pgs)	Statement of Issues on Appeal *and Designation of Record* Filed by Interested Party Attorney General For The State Of Ca (RE: related document(s)1207 Notice of Appeal and Statement of Election (Official Form 417A)). (Berry, Alicia) (Entered: 01/18/2019)
01/18/2019	1295 (2 pgs)	Notice *Regarding Resolution of Objections Filed by The California Department of Health Care Services And The U.S. Department of Health and Human Services* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)447 Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Objection of the U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services to Debtor's Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders to Use, etc. (with Proof of Service) Filed by Creditor United States Department of Health and Human Services, 562 Reply to (related document(s): 447 Objection filed by Creditor United States Department of Health and Human Services) Debtors Reply To Objection Of U.S. Department Of Health And Human Services And Centers For Medicare And Medicaid Services To Debtors Bid Procedures Motion Filed by Debtor Verity Health System of California, Inc., 906 Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc., 810 Notice filed by Debtor Verity Health System of California, Inc.) Filed by Creditor California Department of Health Care Services (Attachments: # 1 Affidavit Declaration of Hanh Vo in Support of California Department of Health Care Services's Objection to (1) Debtors' Motion for the Entry of an Order Authorizing the Sale of Property Free and Clear of all Claims; (2) Notice to Counterparties # 2 Appendix Proof of Service), 1153 Order (A) Authorizing The Sale Of Certain Of The Debtors' Assets To Santa Clara County Free And Clear Of Liens, Claims, Encumbrances, And Other Interests; (B) Approving The Assumption And Assignment Of An Unexpired Lease Related Thereto; And (C) Granting Related Relief. The following hearings shall be held on January 30, 2019, at 10:00 a.m. (Pacific Time): (1) Hearing re: issues pertaining to the transfer and/or assumption of Medi-Cal and Medicare Provider Agreements, if necessary; (2) Hearing re: rejection and/or modification of collective bargaining agreements; and (3) Continued hearing re: Cure Objections. If necessary, a hearing on objections filed in connection with the Subsequently Identified Designated Contracts shall be held on February 13, 2018, at 10:00 a.m. (Pacific Time). (BNC-PDF) (Related Doc # 365) Signed on 12/27/2018 (Lomeli, Lydia R.)). (Moyron, Tania) (Entered: 01/18/2019)*

01/18/2019	1296 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1262 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/18/2019. (Admin.) (Entered: 01/18/2019)
01/18/2019	1297 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1265 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/18/2019. (Admin.) (Entered: 01/18/2019)
01/18/2019	1298 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1266 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/18/2019. (Admin.) (Entered: 01/18/2019)
01/18/2019	1299 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1267 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/18/2019. (Admin.) (Entered: 01/18/2019)
01/18/2019	1300 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1268 Order (Generic) (BNC-PDF)) No. of Notices: 4. Notice Date 01/18/2019. (Admin.) (Entered: 01/18/2019)
01/18/2019	1301 (65 pgs)	Opposition to (related document(s): 1219 Motion To Stay Pending Appeal (related documents 1207 Notice of Appeal and Statement of Election (Official Form 417A)) filed by Interested Party Attorney General For The State Of Ca) Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/18/2019)
01/18/2019	1302 (5 pgs)	Objection (related document(s): 1219 Motion To Stay Pending Appeal (related documents 1207 Notice of Appeal and Statement of Election (Official Form 417A)) filed by Interested Party Attorney General For The State Of Ca) *To Declaration Of Alicia Berry In Support Of California Attorney Generals Motion To Stay The Courts Order (A) Authorizing The Sale Of Certain Of The Debtors Assets To Santa Clara County Free And Clear Of Liens, Claims, Encumbrances, And Other Interests Pending Appeal Of The Courts Memorandum Of Decision Overruling Objections Of The California Attorney General And Sale Order* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/18/2019)
01/19/2019	1303 (16 pgs)	Response to (related document(s): 1219 Motion To Stay Pending Appeal (related documents 1207 Notice of Appeal and Statement of Election (Official Form 417A)) filed by Interested Party Attorney General For The State Of Ca) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) WARNING: See entry 1312 for corrective action. Attorney to re-file using correct event code: 'Objection'. Modified on 1/22/2019 (Lomeli, Lydia R.). (Entered: 01/19/2019)
01/19/2019	1304 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1277 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 4. Notice Date 01/19/2019. (Admin.) (Entered: 01/19/2019)
01/19/2019	1305 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1278 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/19/2019. (Admin.) (Entered: 01/19/2019)
01/20/2019	1306 (212 pgs; 14 docs)	Objection (related document(s): 1280 Stipulation By Swinerton Builders and *Debtors (Second) to Continue Hearing on Motion for Amendment of Findings in Final Order (I) Authorizing Postpetition Financing [...]* filed by Creditor Swinerton Builders) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.

		(Attachments: # 1 Exhibit # 2 Exhibit # 3 Exhibit # 4 Exhibit # 5 Exhibit # 6 Exhibit # 7 Exhibit # 8 Exhibit # 9 Exhibit # 10 Exhibit # 11 Exhibit # 12 Exhibit # 13 Exhibit) (Behrens, James) (Entered: 01/20/2019)
01/20/2019	1307 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1282 ORDER shortening time (BNC-PDF)) No. of Notices: 4. Notice Date 01/20/2019. (Admin.) (Entered: 01/20/2019)
01/21/2019	1308 (2 pgs)	Original Holographic signature page of Declaration of Richard G. Adcock In Support of Debtors Opposition California Attorney Generals Motion To Stay The Courts Order (A) Authorizing The Sale Of Certain of The Debtors Assets To Santa Clara County Free and Clear of Liens, Claims, Encumbrances, and Other Interests Pending Appeal of The Courts Memorandum of Decision Overruling Objections of The California Attorney General and Sale Orders [RELATES TO DOCKET NO. 1301] Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 01/21/2019)
01/21/2019	1309 (3 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity Mob Financing, LLC Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) WARNING: See entry 1313 for corrective action. Attorney to lodge order via LOU. Modified on 1/22/2019 (Lomeli, Lydia R.). (Entered: 01/21/2019)
01/21/2019	1310 (3 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing II, LLC Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) WARNING: See entry 1313 for corrective action. Attorney to lodge order via LOU. Modified on 1/22/2019 (Lomeli, Lydia R.). (Entered: 01/21/2019)
01/21/2019	1311 (4 pgs)	Reply to (related document(s): 269 Objection filed by Creditor Swinerton Builders, 309 Reply filed by Debtor Verity Health System of California, Inc., 355 Reply filed by Debtor Verity Health System of California, Inc., 392 Hearing Held (Bk Motion), 409 Order on Motion to Use Cash Collateral (BNC-PDF), 564 Motion to Amend (related document(s)409 Order on Motion to Use Cash Collateral (BNC-PDF)) *Pursuant to Rule 7052(b) for Amendment of Findings in Final Order (I) Authorizing Postpetition Financing [...]* filed by Creditor Swinerton Builders, 732 Opposition filed by Debtor Verity Health System of California, Inc., 974 Stipulation and ORDER thereon (BNC-PDF), 1280 Stipulation By Swinerton Builders and *Debtors (Second) to Continue Hearing on Motion for Amendment of Findings in Final Order (I) Authorizing Postpetition Financing [...]* filed by Creditor Swinerton Builders, 1306 Objection filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) *Objection by Official Committee of Unsecured Creditors Regarding Second Stipulation To Continue Hearing on Motion For Amendment of Findings In Final Order (I) Authorizing Postpetition Findings []* Filed by Debtor Verity Health System of California, Inc. (Montgomery, Claude) (Entered: 01/21/2019)
01/22/2019	1312	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT.** WARNING: Attorney to re-file using correct event code: 'Objection'. (RE: related document(s)1303 Response filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Lomeli, Lydia R.) (Entered: 01/22/2019)

01/22/2019	1313	Notice to Filer of Error and/or Deficient Document **Other -** WARNING: Attorney to lodge order via LOU. (RE: related document(s)1309 Stipulation filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al., 1310 Stipulation filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Lomeli, Lydia R.) (Entered: 01/22/2019)
01/22/2019	1314 (13 pgs)	Proof of service Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1309 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity Mob Financing, LLC Extending Challenge Deadline*, 1310 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing II, LLC Extending Challenge Deadline*). (Behrens, James) (Entered: 01/22/2019)
01/22/2019	1315 (17 pgs)	Reply to (related document(s): 1306 Objection filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) *re: Second Stipulation to Continue Hearing on Motion for Amendment of Findings in Final Order (I) Authorizing Postpetition Financing [...]* Filed by Creditor Swinerton Builders (Schultz, Nathan) (Entered: 01/22/2019)
01/22/2019	1316 (33 pgs)	Application for Compensation *[Levene, Neale, Bender, Yoo & Brills Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period December 1, 2018 Through December 31, 2018 (POS Attached)]-*. Filed by Attorney Levene, Neale, Bender, Yoo & Brill L.L.P. (Kim, Monica) (Entered: 01/22/2019)
01/22/2019	1317 (32 pgs)	Application for Compensation *[Patient Care Ombudsmans Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period December 1, 2018 Through December 31, 2018 For Himself And For Dr. Tim Stacy Dnp, Acnp-Bc (POS Attached)]-* for Jacob Nathan Rubin, Ombudsman Health, Period: to, Fee: $61,880.00, Expenses: $1,514.36. Filed by Health Care Ombudsman Jacob Nathan Rubin (Kim, Monica) (Entered: 01/22/2019)
01/22/2019	1318 (28 pgs)	Objection (related document(s): 1219 Motion To Stay Pending Appeal (related documents 1207 Notice of Appeal and Statement of Election (Official Form 417A)) filed by Interested Party Attorney General For The State Of Ca) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/22/2019)
01/22/2019	1319 (2 pgs)	Order Approving Second Stipulation Extending Deadline For Engineers And Scientists Of California, IFPTE Local 20 To File Objection To Debtors' Motion Under ◆ 1113 Of The Bankruptcy Code To Reject And Terminate The Terms Of Engineers And Scientists Of California, IFPTE Local 20?s Collective Bargaining Agreements With O?connor Hospital And Saint Louise Regional Hospital Upon The Closing Of The Sale Of Hospitals To The County Of Santa Clara [Related Dkt. No. 1181] (BNC-PDF) (Related Doc # 1285) Signed on 1/22/2019 (Lomeli, Lydia R.) (Entered: 01/22/2019)
01/22/2019	1320 (3 pgs)	Order Approving Stipulation Between Verity MOB Financing, Llc And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1309) Signed on 1/22/2019 (Lomeli, Lydia R.) (Entered: 01/22/2019)
01/22/2019	1321	Order Approving Stipulation Between Verity MOB Financing II, LLC And

	(3 pgs)	The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1310) Signed on 1/22/2019 (Lomeli, Lydia R.) (Entered: 01/22/2019)
01/22/2019	1322 (13 pgs)	Proof of service Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1306 Objection). (Behrens, James) (Entered: 01/22/2019)
01/22/2019	1323 (7 pgs)	Supplemental *Supplement to Debtors' Notice of Motion and Motion to Reject, Pursuant to 11 U.S.C. Section 365(A), Professional Services Agreement With All Care Medical Group, Inc. and Related Executory Contracts and Unexpired Lease [Related Docket Nos. 399, 576]* Filed by Debtor Verity Health System of California, Inc.. (Maizel, Samuel) (Entered: 01/22/2019)
01/22/2019	1324 (19 pgs)	Supplemental *Supplement to Debtors' Notice and Motion to Approve Settlement and Asset Purchase Agreement By and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc. [Related to Docket No. 1180]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 01/22/2019)
01/23/2019	1325 (9 pgs)	Stipulation By California Physicians' Service dba Blue Shield of California, Care 1st Health Plan and *All Care Medical Group re Assumption and Assignment of Contracts in Connection with Debtor's Motion to Approve Settlement* Filed by Creditors California Physicians' Service dba Blue Shield of California, Care 1st Health Plan (Reynolds, Michael) (Entered: 01/23/2019)
01/23/2019	1326 (5 pgs)	Stipulation By Verity Health System of California, Inc. and *Verity Medical Foundation, and All Care Medical Group, Inc., and Health Net of California, Inc.; Stipulation Among Debtors, Health Net of California, Inc. and All Care Medical Group Re Assumption and Assignment of Contracts in Connection with Debtor's Motion to Approve Settlement and Asset Purshase Agreement By and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc.* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/23/2019)
01/23/2019	1327	Hearing Held (RE: related document(s)564 Motion to Amend filed by Creditor Swinerton Builders) - Matter resolved by stipulation. Executed stipulation and order to be lodged. (Lomeli, Lydia R.) (Entered: 01/23/2019)
01/23/2019	1328	Hearing Held (RE: related document(s)399 Motion to Reject Lease or Executory Contract filed by Debtor Verity Health System of California, Inc.) - Matter resolved by stipulation. Executed stipulation and order to be lodged. (Lomeli, Lydia R.) (Entered: 01/23/2019)
01/23/2019	1329	Hearing Held (RE: related document(s)576 Motion to Reject Lease or Executory Contract filed by Debtor Verity Health System of California, Inc.) Matter resolved by stipulation. Executed stipulation and order to be lodged. (Lomeli, Lydia R.) (Entered: 01/23/2019)
01/23/2019	1330	Hearing Held (RE: related document(s)1180 Generic Motion filed by Debtor Verity Health System of California, Inc.) - Matter resolved by stipulation. Executed stipulation and order to be lodged. (Lomeli, Lydia R.) (Entered: 01/23/2019)
01/23/2019	1331 (318 pgs; 16 docs)	Reply to (related document(s): 1181 Motion *Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale* filed by Debtor Verity Health System of California, Inc.) Filed by Debtor

		Verity Health System of California, Inc. (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 # 4 Exhibit 4 # 5 Exhibit 5 # 6 Exhibit 6 # 7 Exhibit 7 # 8 Exhibit 8 # 9 Exhibit 9 # 10 Exhibit 10 # 11 Exhibit 11 # 12 Exhibit 12 # 13 Exhibit 13 # 14 Exhibit 14 # 15 Exhibit 15) (Moyron, Tania) (Entered: 01/23/2019)
01/24/2019	1332 (321 pgs; 17 docs)	Reply to (related document(s): 1181 Motion *Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale* filed by Debtor Verity Health System of California, Inc., 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl filed by Debtor Verity Health System of California, Inc., 1190 BNC Certificate of Notice - PDF Document, 1191 Motion Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement with O'Connor Hospital Upon Closing of the Sale of these Hospita filed by Debtor Verity Health System of California, Inc., 1192 Motion Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Cl filed by Debtor Verity Health System of California, Inc., 1193 Declaration filed by Debtor Verity Health System of California, Inc., 1194 Declaration filed by Debtor Verity Health System of California, Inc., 1195 Declaration filed by Debtor Verity Health System of California, Inc., 1202 Declaration filed by Debtor Verity Health System of California, Inc., 1269 Objection filed by Creditor California Nurses Association, 1270 Declaration filed by Creditor California Nurses Association, 1271 Opposition filed by Creditor SEIU United Healthcare Workers - West, 1273 Declaration filed by Creditor SEIU United Healthcare Workers - West) Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Alberts Declaration # 2 Exhibit 1 # 3 List of 20 Largest Creditors 2 # 4 Exhibit 3 # 5 Exhibit 4 # 6 Exhibit 5 # 7 Exhibit 6 # 8 Exhibit 7 # 9 Exhibit 8 # 10 Exhibit 9 # 11 Exhibit 10 # 12 Exhibit 11 # 13 Exhibit 12 # 14 Exhibit 13 # 15 Exhibit 14 # 16 Exhibit 15) (Moyron, Tania) (Entered: 01/24/2019)*
01/24/2019	1333 (12 pgs; 2 docs)	Reply to (related document(s): 1106 Notice filed by Debtor Verity Health System of California, Inc., 1110 Notice filed by Debtor Verity Health System of California, Inc., 1145 Notice filed by Debtor Verity Health System of California, Inc., 1153 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF), 1292 Reply filed by Debtor Verity Health System of California, Inc.) Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (Attachments: # 1 Proof of Service) (Rathbone, William) (Entered: 01/24/2019)
01/24/2019	1334 (2 pgs)	Opposition to (related document(s): 1219 Motion To Stay Pending Appeal (related documents 1207 Notice of Appeal and Statement of Election (Official Form 417A)) filed by Interested Party Attorney General For The State Of Ca) *Joinder to Debtors' Opposition* Filed by Interested Party County of Santa Clara (Jones, Gregory) (Entered: 01/24/2019)
01/24/2019	1335 (29 pgs)	Application for Compensation *Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* for Pachulski Stang Ziehl & Jones LLP, Debtor's Attorney, Period: 12/1/2018 to 12/31/2018, Fee: $48,683.75, Expenses: $911.82. Filed by (Cho, Shirley) (Entered: 01/24/2019)
01/24/2019	1336 (11 pgs)	Declaration re: *Third Supplemental Declaration of Henry C. Kevane in Support of Debtors' Application to Employ Pachulski Stang Ziehl & Jones as Bankruptcy Co-Counsel Nunc Pro Tunc to the Petition Date* Filed by Attorney Pachulski Stang Ziehl & Jones LLP (RE: related document(s)421 Application

		to Employ Pachulski Stang Ziehl & Jones LLP as Co-Counsel for the Debtors). (Cho, Shirley) (Entered: 01/24/2019)
01/24/2019	1337 (2 pgs)	Original Holographic signature page Declaration of Sara H. Cody In Support of Opposition To California Attorney Generals Motion To Stay The Courts Order (A) Authorizing The Sale of Certain of The Debtors Assets To Santa Clara County Free And Clear of Liens, Claims, Encumbrances, and Other Interests Pending Appeal of The Courts Memorandum of Decision Overruling Objections of The California Attorney General and Sale Order [Relates To Docket No. 1301] Filed by Debtor Verity Health System of California, Inc.. (Maizel, Samuel) (Entered: 01/24/2019)
01/24/2019	1338 (2 pgs)	Order Approving Stipulation Among Debtors, Health Net Of California, Inc. And All Care Medical Group Re Assumption And Assignment Of Contracts In Connection With Debtor?s Motion To Approve Settlement And Asset Purchase Agreement By And Between The Debtors, Verity Medical Foundation And Verity Health Services Of California, Inc., And All Care Medical Group, Inc. [Related To Docket No. 1326] (BNC-PDF) (Related Doc # 1326) Signed on 1/24/2019 (Lomeli, Lydia R.) (Entered: 01/24/2019)
01/24/2019	1339 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Hooper Healthcare Consulting LLC; Stipulation Extending Deadline for Hooper Healthcare Consulting LLC re Debtors' Motion for the Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections [...] [Related Dkt. Nos. 1279, 1282]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/24/2019)
01/24/2019	1340 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *AHMC Healthcare Inc.; Stipulation Extending Deadline for AHMC Healthcare Inc. Re Debtors' Motion for the Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections [...] [Related Dkt. Nos. 1279, 1282]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/24/2019)
01/24/2019	1341 (38 pgs)	Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 12/1/2018 to 12/31/2018, Fee: $108,354.72, Expenses: $228.58. Filed by Attorney Rosa A Shirley (Shirley, Rosa) (Entered: 01/24/2019)
01/24/2019	1342 (16 pgs)	Proof of service Filed by Special Counsel Nelson Hardiman LLP (RE: related document(s)1341 Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 12/1/2018 to 12/31/2018, Fee: $108,354.72, Expenses: $228.58.). (Shirley, Rosa) (Entered: 01/24/2019)
01/24/2019	1343 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1319 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/24/2019. (Admin.) (Entered: 01/24/2019)
01/24/2019	1344 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1320 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/24/2019. (Admin.) (Entered: 01/24/2019)
01/24/2019	1345 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1321 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/24/2019. (Admin.) (Entered: 01/24/2019)
01/25/2019	1346	Objection (related document(s): 1279 Motion *and Notice of Motion For The*

	(24 pgs)	*Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Limited Objection and Reservation of Rights of the U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services to Debtors' Notice of Motion and Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Protections; (3) Approving Form of Notice to be Provided to Interested Parties; (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Best Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Lease; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens, and Encumbrances; Memorandum of Points and Authorities in Support Thereof [with Proof of Service] Filed by Creditors Centers for Medicare and Medicaid Services, United States Department of Health and Human Services (Levey, Elan) (Entered: 01/25/2019)*
01/25/2019	1347 (12 pgs; 2 docs)	Response to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Filed by Creditor U.S. Bank National Association, not individually, but as Indenture Trustee (Attachments: # 1 Proof of Service) (Strabo, Jason) (Entered: 01/25/2019)*
01/25/2019	1348 (19 pgs)	Supplemental *Supplement to Debtor's Notice of Motion and Motion for an Order Establishing Bar Date for Filing Proofs of Claim [Related to Dkt. No. 1236]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 01/25/2019)
01/25/2019	1349 (26 pgs; 2 docs)	Objection (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (Attachments: # 1 Proof of Service) (Rathbone, William) (Entered: 01/25/2019)*
01/25/2019	1350 (9 pgs)	Reply to (related document(s): 1292 Reply filed by Debtor Verity Health System of California, Inc.) Filed by Creditor California Physicians' Service dba Blue Shield of California (Reynolds, Michael) (Entered: 01/25/2019)
01/25/2019	1351 (11 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Limited Objection to Motion for the Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice to be Provided to Interested Parties; (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; And (II) An Order (A) Authorizing the Sale of Property Free and Clear of all Claims, Liens and Encumbrances Filed by Creditor UnitedHealthcare Insurance Company (Montgomery, Susan) (Entered: 01/25/2019)*

01/25/2019	1352 (24 pgs)	Opposition to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) ATTORNEY GENERALS OPPOSITION TO DEBTORS MOTION FOR ENTRY OF (I) AN ORDER (1) APPROVING FORM OF ASSET PURCHASE AGREEMENT FOR STALKING HORSE BIDDER AND FOR PROSPECTIVE OVERBIDDERS; AND (2) APPROVING AUCTION SALE FORMAT, BIDDING PROCEDURES AND STALKING HORSE BID PROTECTIONS; (3) APPROVING FORM OF NOTICE TO BE PROVIDED TO INTERESTED PARTIES; (4) SCHEDULING A COURT HEARING TO CONSIDER APPROVAL OF THE SALE TO THE HIGHEST BIDDER; AND (5) APPROVING PROCEDURES RELATED TO THE ASSUMPTION OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (II) AN ORDER (A) AUTHORIZING THE SALE OF PROPERTY FREE AND CLEAR OF ALL CLAIMS, LIENS AND ENCUMBRANCES; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF Filed by Interested Party Xavier Becerra, Attorney General of California (Berry, Alicia) (Entered: 01/25/2019)*
01/25/2019	1353 (82 pgs; 2 docs)	Objection (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Creditor California Department of Health Care Services's Objection to (1) Debtors' Motion for the Entry of an Order Authorizing the Sale of Property Free and Clear of All Claims, Liens, and Encumbrances, and (2) Approving Form of Asset Purchase Agreement Filed by Creditor California Department of Health Care Services (Attachments: # 1 Affidavit Declaration of Hanh Vo in Support of California Department of Health Care Service's Objection) (Wang, Kenneth) (Entered: 01/25/2019)*
01/25/2019	1354 (15 pgs)	Objection (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Filed by Creditor SEIU United Healthcare Workers - West (Rich, Emily) (Entered: 01/25/2019)*
01/25/2019	1355 (9 pgs)	Response to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Local 39's Reservation of Rights Regarding Motion for Approval of Form APA Filed by Creditor Stationary Engineers Local 39 (Rich, Emily) (Entered: 01/25/2019)*
01/25/2019	1356 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *California Department of Health Care Service and the United States Department of Health and Human Services Continuing Hearing Regarding Transfer of Medi-Cal Provider Agreements and Medicare Provider Agreements to Santa Clara County [Related Docket No. 1153]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/25/2019)
01/25/2019	1357 (16 pgs)	Response to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) (Response and*

		Reservation of Rights to Motion to Sell Assets and for Related Relief (St. Francis, St. Vincent, Seton) Filed by Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee (O'Brient, Abigail) (Entered: 01/25/2019)
01/25/2019	1358 (15 pgs)	Opposition to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Reservation of Rights of MGH Painting, Inc., Holder of a Mechanic's Lien Against St. Vincent Medical Center, in Connection with Debtors' Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice to be Provided to Interested Parties; (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens, and Encumbrances with Proof of Service Filed by Creditor MGH Painting, Inc. (Andrassy, Kyra) (Entered: 01/25/2019)*
01/25/2019	1359 (16 pgs; 2 docs)	Objection (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Filed by Creditor California Nurses Association (Attachments: # 1 Proof of Service) (Skogstad, Kyrsten) (Entered: 01/25/2019)*
01/25/2019	1360 (495 pgs; 12 docs)	Declaration re: *Kyrsten Skogstad Declaration In Support Of Objection to Debtors' Motion For the Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders Etc.,* Filed by Creditor California Nurses Association (RE: related document(s)1359 Objection). (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 # 4 Exhibit 4 # 5 Exhibit 5 # 6 Exhibit 6 # 7 Exhibit 7 # 8 Exhibit 8 # 9 Exhibit 9 # 10 Exhibit 10 # 11 Proof of Service) (Skogstad, Kyrsten) (Entered: 01/25/2019)
01/25/2019	1361 (9 pgs)	Objection (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) LIMITED OBJECTION AND RESERVATION OF RIGHTS OF SAN MATEO COUNTY & HEALTH PLAN OF SAN MATEO Filed by Creditor County of San Mateo (Benvenutti, Peter) (Entered: 01/25/2019)*
01/25/2019	1362 (21 pgs)	Declaration re: *Supplemental Declaration of Counsel in Opposition to Debtors' Motion Under sec. 1113 to Modify, Reject and Terminate SEIU-UHW's CBA with Certain Debtors* Filed by Creditor SEIU United Healthcare Workers - West (RE: related document(s)1192 Motion *Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Cl, 1271 Opposition, 1272 Declaration, 1273 Declaration, 1332 Reply). (Rich, Emily) (Entered: 01/25/2019)*
01/25/2019	1363 (43 pgs)	Application *Of Official Committee of Unsecured Creditors Under 11 U.S.C.§ 1103 and Fed. R. Bankr. P. 2014 and 5002, for Order Authorizing Retention*

		and Employment of Arent Fox LLP as Special Counsel Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/25/2019)
01/25/2019	1364 (31 pgs)	Opposition to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Limited Opposition of Belfor USA Group, Inc., to Debtor's Bidding Procedures Motion [Docket No. 1279]; and Supporting Declaration Filed by Creditor Belfor USA Group, Inc. (Minier, Christopher) WARNING: Correct hearing time is 10:00 A.M. Modified on 1/28/2019 (Lomeli, Lydia R.). (Entered: 01/25/2019)*
01/25/2019	1365 (23 pgs)	Reply to (related document(s): 1219 Motion To Stay Pending Appeal (related documents 1207 Notice of Appeal and Statement of Election (Official Form 417A)) filed by Interested Party Attorney General For The State Of Ca) Filed by Interested Party Xavier Becerra, Attorney General of California (Berry, Alicia) (Entered: 01/25/2019)
01/25/2019	1366 (2 pgs)	Order (Amended) Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF) re Jimmy D. Parrish (Related Doc # doc) Signed on 1/25/2019 (Lomeli, Lydia R.) (Entered: 01/25/2019)
01/25/2019	1367 (3 pgs)	Order Approving Stipulation Among Debtor, Blue Shield Of California, Care 1st And All Care Medical Group Re Assumption And Assignment Of Contracts In Connection With Debtor's Motion To Approve Settlement And Asset Purchase Agreement By And Between The Debtors, Verity Medical Foundation And Verity Health Services Of California, Inc., And All Care Medical Group, Inc. [Related To Docket No. 1325 (BNC-PDF) (Related Doc # 1325) Signed on 1/25/2019 (Lomeli, Lydia R.) (Entered: 01/25/2019)
01/25/2019	1368 (5 pgs)	Order Granting Motion To Approve Settlement And Asset Purchase Agreement By And Between The Debtors, Verity Medical Foundation And Verity Health Services Of California, Inc., And All Care Medical Group, Inc. [Related Docket No. 1180] (BNC-PDF) (Related Doc # 1180) Signed on 1/25/2019 (Lomeli, Lydia R.) (Entered: 01/25/2019)
01/25/2019	1369 (2 pgs)	Order Approving Stipulation Extending Deadline For Hooper Healthcare Consulting LLC Re Debtors' Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections [?] [Related Dkt. No. 1279, 1282 (BNC-PDF) (Related Doc # 1339) Signed on 1/25/2019 (Lomeli, Lydia R.) (Entered: 01/25/2019)
01/25/2019	1370 (2 pgs)	Order Approving Stipulation Extending Deadline For AHMC Healthcare Inc. Re Debtors' Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections [?] [Related Dkt. No. 1279, 1282] (BNC-PDF) (Related Doc # 1340) Signed on 1/25/2019 (Lomeli, Lydia R.) (Entered: 01/25/2019)
01/25/2019	1371 (2 pgs)	Order Approving Stipulation Continuing Hearing Regarding Transfer Of Medi-Cal Provider Agreements And Medicare Provider Agreements To Santa Clara County [Related Docket No. 1153] (BNC-PDF) (Related Doc # 1356) Signed on 1/25/2019 (Lomeli, Lydia R.) (Entered: 01/25/2019)

01/25/2019	1372 (8 pgs)	Supplemental *Supplement To Debtors Motion Under 1113 Of The Bankruptcy Code To Reject And Terminate The Terms Of The Licensed Vocational Nurses Association's Collective Bargaining Agreement With OConnor Hospital Upon Closing Of The Sale Of These Hospitals To The County Of Santa Clara [Docket No. 1191]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 01/25/2019)
01/25/2019	1373 (8 pgs)	Supplemental *Supplement To Debtors Motion Under § 1113 Of The Bankruptcy Code To Reject And Terminate The Terms Of Engineers And Scientists Of California, IFPTE Local 20's Collective Bargaining Agreements With O'Connor Hospital And Saint Louise Regional Hospital Upon The Closing Of The Sale Of Hospitals To The County Of Santa Clara [Docket No. 1181]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 01/25/2019)
01/25/2019	1374 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *United Nurses Associations of California/Union of Health Care Professionals Extending Deadline For United Nurses Associations of California/Union of Health Care Professionals Re Debtors Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections [] [Related Dkt. No. 1279, 1282]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/25/2019)
01/25/2019	1375 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Saint Vincent IPA and Angeles IPA Extending Deadline For Saint Vincent IPA and Angeles IPA Re Debtors Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections [] [Related Dkt. No. 1279, 1282]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/25/2019)
01/26/2019	1376 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1338 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/26/2019. (Admin.) (Entered: 01/26/2019)
01/27/2019	1377 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1366 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 4. Notice Date 01/27/2019. (Admin.) (Entered: 01/27/2019)
01/27/2019	1378 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1367 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/27/2019. (Admin.) (Entered: 01/27/2019)
01/27/2019	1379 (12 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1368 Order on Generic Motion (BNC-PDF)) No. of Notices: 4. Notice Date 01/27/2019. (Admin.) (Entered: 01/27/2019)
01/27/2019	1380 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1369 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/27/2019. (Admin.) (Entered: 01/27/2019)
01/27/2019	1381 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1370 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/27/2019. (Admin.) (Entered: 01/27/2019)
01/27/2019	1382	BNC Certificate of Notice - PDF Document. (RE: related document(s)1371

	(9 pgs)	Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/27/2019. (Admin.) (Entered: 01/27/2019)
01/28/2019	1383 (6 pgs)	Proof of service *for LIMITED OBJECTION AND RESERVATION OF RIGHTS OF SAN MATEO COUNTY & HEALTH PLAN OF SAN MATEO RE DEBTORS MOTION TO APPROVE FORM OF ASSET PURCHASE AGREEMENT, SALE PROCEDURES, AND OTHER RELIEF* Filed by Creditor County of San Mateo (RE: related document(s)1361 Objection). (Benvenutti, Peter) (Entered: 01/28/2019)
01/28/2019	1384 (7 pgs)	Stipulation By Verity Health System of California, Inc. and *Cigna HealthCare of California, Inc. and Life Insurance Company of North America, and California Physicians' Service dba Blue Shield of California, and Aetna Life Insurance Company, and UnitedHealthcare Insurance Company, and Kaiser Foundation Hospitals; Stipulation Continuing Hearing Regarding Payor Cure Objections [Related Docket No. 1153]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/28/2019)
01/28/2019	1385 (14 pgs; 2 docs)	Reply to (related document(s): 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl filed by Debtor Verity Health System of California, Inc., 1269 Objection filed by Creditor California Nurses Association, 1270 Declaration filed by Creditor California Nurses Association, 1332 Reply filed by Debtor Verity Health System of California, Inc.) Sur-Reply Filed by Creditor California Nurses Association (Attachments: # 1 Proof of Service) (Skogstad, Kyrsten) (Entered: 01/28/2019)*
01/28/2019	1386 (107 pgs; 6 docs)	Declaration re: *Kyrsten Skogstad Declaration In Support of Sur-Reply to Debtors' Reply to California Nurses Association's Objection to Debtors' Motion Under Section 1113 of the Bankruptcy Code* Filed by Creditor California Nurses Association (RE: related document(s)1385 Reply). (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 # 4 Exhibit 4 # 5 Proof of Service) (Skogstad, Kyrsten) (Entered: 01/28/2019)
01/28/2019	1387 (2 pgs)	Order Approving Stipulation Continuing Hearing Regarding Payor Cure Objections [Related Docket No. 1153]. Continued to February 6, 2019, at 10:00 a.m. (Pacific Time). (BNC-PDF) (Related Doc # 1384) Signed on 1/28/2019 (Lomeli, Lydia R.) (Entered: 01/28/2019)
01/28/2019	1388 (8 pgs)	Objection (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) LIMITED OBJECTION AND RESERVATION OF RIGHTS OF ST. VINCENT IPA MEDICAL CORPORATION AND ANGELES IPA RE DEBTORS' MOTION TO APPROVE FORM OF ASSET PURCHASE AGREEMENT, SALE PROCEDURES, AND OTHER RELIEF Filed by Creditors Angeles IPA A Medical Corporation, St. Vincent IPA Medical Corporation (Neubauer, Mark) (Entered: 01/28/2019)*
01/28/2019	1389 (3 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing, LLC Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/28/2019)
01/28/2019	1390	Stipulation By Official Committee of Unsecured Creditors of Verity Health

	(3 pgs)	System of California, Inc., et al. and *Verity MOB Financing II, LLC Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/28/2019)
01/28/2019	1391 (3 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *UMB Bank, N.A. Regarding Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/28/2019)
01/28/2019	1392 (95 pgs; 6 docs)	Application for Compensation *Berkeley Research Group, LLC's Fourth Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period December 1, 2018 Through December 31, 2018* for Berkeley Research Group LLC, Financial Advisor, Period: 12/1/2018 to 12/31/2018, Fee: $692,066.40, Expenses: $38,731.40. Filed by Financial Advisor Berkeley Research Group LLC (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E) (Moyron, Tania) (Entered: 01/28/2019)
01/28/2019	1393 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *OCH Forest 1, General Partner of O'Connor Health Center 1; Stipulation Resolving OCH Forest 1 and O'Connor Health Center 1 Cure Objection [Related Dkt. No. 913]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/28/2019)
01/28/2019	1394 (2 pgs)	Supplemental *Supplement to Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. No. 1110]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 01/28/2019)
01/28/2019	1395 (15 pgs)	Objection (related document(s): 1277 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) *By UNAC REGARDING DEBTORS MOTION FOR THE ENTRY OF (I) AN ORDER (1) APPROVING FORM OF ASSET PURCHASE AGREEMENT FOR STALKING HORSE BIDDER AND FOR PROSPECTIVE OVERBIDDERS; ETC; [Doc 1277]* Filed by Creditor United Nurses Associations of CA/Union of Health Care Professionals (Kohanski, Joseph) (Entered: 01/28/2019)
01/28/2019	1396 (6 pgs)	Reply to (related document(s): 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl filed by Debtor Verity Health System of California, Inc., 1269 Objection filed by Creditor California Nurses Association, 1332 Reply filed by Debtor Verity Health System of California, Inc., 1385 Reply filed by Creditor California Nurses Association, 1386 Declaration filed by Creditor California Nurses Association) Debtors Request To Strike Or, In The Alternative, Overrule California Nurses Association Unauthorized Sur-Reply To Debtors Omnibus Reply In Support Of Motions Under § 1113 Of The Bankruptcy Code Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/28/2019)*
01/28/2019	1397 (42 pgs)	Opposition to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Opposition to the Debtor's Motion for the Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement... [Dkt. No. 1279], and Reservation of Rights;*

		Declaration of Bryan Hooper Filed by Creditor Hooper Healthcare Consulting LLC (Margulies, Craig) (Entered: 01/28/2019)
01/28/2019	1398 (28 pgs)	Notice *NOTICE OF INTENT TO ENFORCE MECHANIC'S LIEN PURSUANT TO 11 U.S.C. § 546(b) AGAINST REAL PROPERTY OWNED BY ST. VINCENT MEDICAL CENTER LOCATED AT 2131 WEST 3RD ST., LOS ANGELES, CA 90057* Filed by Creditor Royal West Development, Inc.. (Hayes, James) (Entered: 01/28/2019)
01/28/2019	1399 (17 pgs)	Objection (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/28/2019)*
01/28/2019	1400 (28 pgs)	Notice *NOTICE OF INTENT TO ENFORCE MECHANIC'S LIEN PURSUANT TO 11 U.S.C. § 546(b) AGAINST REAL PROPERTY OWNED BY ST. VINCENT MEDICAL CENTER LOCATED AT 2131 WEST 3RD ST., LOS ANGELES, CA 90057* Filed by Creditor Royal West Development, Inc.. (Hayes, James) (Entered: 01/28/2019)
01/28/2019	1401 (4 pgs)	Declaration re: *Declaration of Cynthia A. Nelson in Support of Official Committee of Unsecured Creditors Limited Objection to SGM Sale Motion [Dkt 1279]* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1399 Objection). (Behrens, James) (Entered: 01/28/2019)
01/28/2019	1402 (20 pgs)	Request for judicial notice *in connection with Official Committee of Unsecured Creditors' Objection to SGM Sale Motion [Dkt 1279]* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1399 Objection). (Behrens, James) (Entered: 01/28/2019)
01/29/2019	1403 (13 pgs)	Proof of service Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1389 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing, LLC Extending Challenge Deadline*, 1390 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing II, LLC Extending Challenge Deadline*, 1391 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *UMB Bank, N.A. Regarding Challenge Deadline*). (Behrens, James) (Entered: 01/29/2019)
01/29/2019	1404 (2 pgs)	Order Approving Stipulation Extending Deadline For United Nurses Associations Of California/Union Of Health Care Professionals Re Debtors' Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections [?] [Related Dkt. No. 1279, 1282] (BNC-PDF) (Related Doc # 1374) Signed on 1/29/2019 (Lomeli, Lydia R.) (Entered: 01/29/2019)
01/29/2019	1405 (2 pgs)	Order Approving Stipulation Extending Deadline For Saint Vincent Ipa And Angeles Ipa Re Debtors' Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections [?] [Related Dkt. No. 1279,

		1282] (BNC-PDF) (Related Doc # 1375) Signed on 1/29/2019 (Lomeli, Lydia R.) (Entered: 01/29/2019)
01/29/2019	1406 (3 pgs)	Order Approving Stipulation Between Verity Mob Financing, LLC And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1389) Signed on 1/29/2019 (Lomeli, Lydia R.) (Entered: 01/29/2019)
01/29/2019	1407 (3 pgs)	Order Approving Stipulation Between Verity Mob Financing II, LLC And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1390) Signed on 1/29/2019 (Lomeli, Lydia R.) (Entered: 01/29/2019)
01/29/2019	1408 (3 pgs)	Order Approving Third Stipulation Between UMB Bank, N.A. And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1391) Signed on 1/29/2019 (Lomeli, Lydia R.) (Entered: 01/29/2019)
01/29/2019	1409 (3 pgs)	Order Approving Stipulation Resolving Och Forest 1 And O?connor Health Center 1 Cure Objection [Related Dkt. No. 913]. The hearing scheduled on January 30, 2019, at 10:00 a.m. (Pacific Time) to resolve the OCH Cure Objection (as defined in the Stipulation) is vacated. (BNC-PDF) (Related Doc # 1393) Signed on 1/29/2019 (Lomeli, Lydia R.) (Entered: 01/29/2019)
01/29/2019	1410 (13 pgs)	Proof of service Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1399 Objection, 1401 Declaration, 1402 Request for judicial notice). (Behrens, James) (Entered: 01/29/2019)
01/29/2019	1411 (3 pgs)	Order: (1) Requiring Further Briefing On Debtors' Motions To Reject Collective Bargaining Agreements And (2) Continuing Hearing On Motions From January 30, 2019 To February 8, 2019, At 10:00 A.M. (BNC-PDF) (Related Doc # doc) Signed on 1/29/2019 (Lomeli, Lydia R.) (Entered: 01/29/2019)
01/29/2019	1412	Debtor's Request to Deactivate Electronic Noticing (DeBN) Filed by Creditor FTG Builders Inc re attorney Brent F Basilico . (Lomeli, Lydia R.) (Entered: 01/29/2019)
01/30/2019	1413 (2 pgs)	Notice *of the City of Gilroy's Position on the Status of St. Louise Regional Hospital* Filed by Interested Party City of Gilroy. (Swanson, Ralph) (Entered: 01/30/2019)
01/30/2019	1414 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Houston, Marsha. (Houston, Marsha) (Entered: 01/30/2019)
01/30/2019	1415 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Rivas, Christopher. (Rivas, Christopher) (Entered: 01/30/2019)
01/30/2019	1416	Hearing Held (RE: related document(s)1181 Motion Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale filed by Debtor Verity Health System of California, Inc.) - party to lodge order: Movant. No appearances required. The Court APPROVES the settlement reached between the Debtors and the IFPTE Local 20. (Lomeli, Lydia R.) (Entered: 01/30/2019)
01/30/2019	1417	Hearing Held (RE: related document(s)1191 Motion Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement

		with O'Connor Hospital Upon Closing of the Sale of these Hospitals to the County of Santa Clara filed by Debtor Verity Health System of California, Inc.)- Party to lodge order: Movant. No appearances required. The Court APPROVES the settlement reached between the Debtors and the California Vocational Nurses Association. (Lomeli, Lydia R.) (Entered: 01/30/2019)
01/30/2019	1418 (10 pgs)	Hearing Held (RE: related document(s)1219 Motion To Stay Pending Appeal filed by Interested Party Attorney General For The State Of Ca) (read ruling attached). Party to lodge order: Movant. (Amended after hearingto itemize the declarations filed in support of the Debtors Opposition that the Court considered.)- DENIED (Lomeli, Lydia R.) Additional attachment(s) added on 1/30/2019 (Lomeli, Lydia R.). (Entered: 01/30/2019)
01/30/2019	1419 (37 pgs)	Application *FTI Consulting, Inc.'s Fourth Monthly Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of December 1, 2018 - December 31, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/30/2019)
01/30/2019	1420 (68 pgs)	Application *Milbank, Tweed, Hadley & McCloy LLP's Fourth Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of December 1, 2018 - December 31, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 01/30/2019)
01/30/2019	1421 (4 pgs)	Supplemental *Second Supplement to Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 1110, 1394]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 01/30/2019)
01/30/2019	1422 (4 pgs)	Notice of lodgment *of Order in Bankruptcy Case Re: Motion to Stay the Court's Order Pending Appeal [Docket No. 1219]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1219 Motion To Stay Pending Appeal (related documents 1207 Notice of Appeal and Statement of Election (Official Form 417A)) Filed by Interested Party Attorney General For The State Of Ca). (Moyron, Tania) (Entered: 01/30/2019)
01/30/2019	1423 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1387 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/30/2019. (Admin.) (Entered: 01/30/2019)
01/31/2019	1424 (1 pg)	Transcript Order Form, regarding Hearing Date 01-23-2019 Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.. (Behrens, James) (Entered: 01/31/2019)
01/31/2019	1425 (1 pg)	Transcript Order Form, regarding Hearing Date 01-30-2019 Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.. (Behrens, James) (Entered: 01/31/2019)
01/31/2019	1426 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *California Nurses Association, and Official Committee of Unsecured Creditors, and Service Employee International Union-United Healthcare Workers-West, and County of Santa Clara; Stipulation Continuing Hearing Regarding Debtors' Motions Under Section 1113 of the Bankruptcy Code [Related Docket Nos. 1182, 1191, 1411]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 01/31/2019)
01/31/2019	1427	Transcript Record Transmittal (Court transcript records have been uploaded to FDS). For Order Number: 19-ER-02. RE Hearing Date: 01/23/2019,

		[TRANSCRIPTION SERVICE PROVIDER: eScribers, Telephone number 213-943-3843.] (RE: related document(s)1424 Transcript Order Form (Public Request) filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Lomeli, Lydia R.) (Entered: 01/31/2019)
01/31/2019	1428	Transcript Record Transmittal (Court transcript records have been uploaded to FDS). For Order Number: 19-ER-03. RE Hearing Date: 01/30/2019, [TRANSCRIPTION SERVICE PROVIDER: eScribers, Telephone number 213-943-3843.] (RE: related document(s)1425 Transcript Order Form (Public Request) filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Lomeli, Lydia R.) (Entered: 01/31/2019)
01/31/2019	1429 (3 pgs; 2 docs)	Withdrawal re: *of Claim No.1 Filed by Sysco Los Angeles, Inc.* Filed by Creditor c/o Darryl S. Laddin Sysco Los Angeles, Inc.. (Attachments: # 1 Proof of Service) (Lampl, Robert). WARNING: See entry 1441 for corrective action. Attorney to re-file using correct event code: 'Withdrawal of Claim' Modified on 2/1/2019 (Lomeli, Lydia R.). (Entered: 01/31/2019)
01/31/2019	1430 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1404 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/31/2019. (Admin.) (Entered: 01/31/2019)
01/31/2019	1431 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1405 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/31/2019. (Admin.) (Entered: 01/31/2019)
01/31/2019	1432 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1406 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/31/2019. (Admin.) (Entered: 01/31/2019)
01/31/2019	1433 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1407 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/31/2019. (Admin.) (Entered: 01/31/2019)
01/31/2019	1434 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1408 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/31/2019. (Admin.) (Entered: 01/31/2019)
01/31/2019	1435 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1409 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 01/31/2019. (Admin.) (Entered: 01/31/2019)
01/31/2019	1436 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1411 Order (Generic) (BNC-PDF)) No. of Notices: 4. Notice Date 01/31/2019. (Admin.) (Entered: 01/31/2019)
02/01/2019	1437 (5 pgs)	Stipulation By Verity Health System of California, Inc. and *Swinerton Builders, Resolving Rule 7052 Motion For Amendment of Findings In Final Order (I) Authorizing Postpetition Financing [] [RELATED DOCKET NOS. 1315, 1306, 1280, 974, 1315, 1306, 1280, 974, 968, 732, 564, 409, 392, 355, 309 AND 269]* Filed by Debtor Verity Health System of California, Inc. (Montgomery, Claude) (Entered: 02/01/2019)
02/01/2019	1438 (24 pgs)	Reply to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc., 1346 Objection filed*

		by Creditor United States Department of Health and Human Services, Creditor Centers for Medicare and Medicaid Services, 1353 Objection filed by Creditor California Department of Health Care Services) Debtors' Omnibus Reply to Objections to Debtors' Bid Procedures Motion by (I) U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services, and (II) California Department of Health Care Services [Relates to Docket Nos. 1279, 1346 and 1353] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/01/2019)
02/01/2019	1439 (108 pgs)	Declaration re: *First Supplemental Declaration of Samuel E. Star In Support of the Application Authorizing the Employment and Retention of FTI Consulting, Inc. As Financial Advisor to the Official Committee of Unsecured Creditors Nunc Pro Tunc to September 14, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)664 Application *Pursuant to Fed. R. Bankr. P. 2014(a) for Order Under Section 1103 of the Bankruptcy Code Authorizing the Employment and Retention of FTI Consulting, Inc. as Financial Advisor to the Office Committee of Unsecured Creditors Nunc Pro Tunc t). (Behrens, James) (Entered: 02/01/2019)*
02/01/2019	1440 (19 pgs)	Declaration re: *First Supplemental Declaration of Gregory A. Bray In Connection with Rentention and Employment of Milbank, Tweed, Hadley & McCloy LLP As Counsel to the Committee of Unsecured Creditors* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)566 Application to Employ Milbank as Counsel *Application of Official Committee of Unsecured Creditors Under 11 U.S.C. § 1103 and Fed. R. Bankr. P. 2014 and 5002, For Order Authorizing Retention and Employment of Milbank, Tweed, Hadley & McCloy, LLP). (Behrens, James) (Entered: 02/01/2019)*
02/01/2019	1441	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT.** WARNING: Attorney to re-file using correct event code: 'Withdrawal of Claim' (RE: related document(s)1429 Withdrawal re: filed by Creditor c/o Darryl S. Laddin Sysco Los Angeles, Inc.) (Lomeli, Lydia R.) (Entered: 02/01/2019)
02/01/2019	1442 (16 pgs)	Reply to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc., 1352 Opposition filed by Interested Party Xavier Becerra, Attorney General of California) Debtors' Reply to California Attorney General's Opposition to Debtors' Motion for Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders; and (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections [...] [Relates to Docket Nos. 1279 and 1352] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/01/2019)*
02/01/2019	1443 (205 pgs; 3 docs)	Application for Compensation *Dentons US LLPs Fourth Professional Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period December 2018* for Samuel R Maizel, Debtor's Attorney, Period: 12/1/2018 to 12/31/2018, Fee: $740,304.90, Expenses: $33,463.43. Filed by Attorney Samuel R Maizel (Attachments: # 1 Exhibit A # 2 Exhibit B) (Maizel, Samuel) (Entered: 02/01/2019)
02/01/2019	1444 (14 pgs)	Reply to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio*

		filed by Debtor Verity Health System of California, Inc.) - Reply of Strategic Global Management, Inc. to Objections to the Debtors Motion for Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder or for Prospective Overbidders [Dkt. Nos. 1279, 1354, 1355 and 1359]; Declaration of William E. Thomas - Filed by Interested Party Strategic Global Management, Inc. (Klausner, Gary) (Entered: 02/01/2019)
02/01/2019	1445 (4 pgs)	Notice *Of Fourth Monthly Fee Applications Of Professionals Paid By The Debtors For Allowance And Payment Of Interim Compensation & Reimbursement Of Expenses* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1316 Application for Compensation *[Levene, Neale, Bender, Yoo & Brills Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period December 1, 2018 Through December 31, 2018 (POS Attached)]-*. Filed by Attorney Levene, Neale, Bender, Yoo & Brill L.L.P., 1317 Application for Compensation *[Patient Care Ombudsmans Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period December 1, 2018 Through December 31, 2018 For Himself And For Dr. Tim Stacy Dnp, Acnp-Bc (POS Attached)]-* for Jacob Nathan Rubin, Ombudsman Health, Period: to, Fee: $61,880.00, Expenses: $1,514.36. Filed by Health Care Ombudsman Jacob Nathan Rubin, 1335 Application for Compensation *Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* for Pachulski Stang Ziehl & Jones LLP, Debtor's Attorney, Period: 12/1/2018 to 12/31/2018, Fee: $48,683.75, Expenses: $911.82. Filed by, 1341 Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 12/1/2018 to 12/31/2018, Fee: $108,354.72, Expenses: $228.58. Filed by Attorney Rosa A Shirley, 1392 Application for Compensation *Berkeley Research Group, LLC's Fourth Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period December 1, 2018 Through December 31, 2018* for Berkeley Research Group LLC, Financial Advisor, Period: 12/1/2018 to 12/31/2018, Fee: $692,066.40, Expenses: $38,731.40. Filed by Financial Advisor Berkeley Research Group LLC (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E), 1419 Application *FTI Consulting, Inc.'s Fourth Monthly Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of December 1, 2018 - December 31, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al., 1420 Application *Milbank, Tweed, Hadley & McCloy LLP's Fourth Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of December 1, 2018 - December 31, 2018* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al., 1443 Application for Compensation *Dentons US LLPs Fourth Professional Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period December 2018* for Samuel R Maizel, Debtor's Attorney, Period: 12/1/2018 to 12/31/2018, Fee: $740,304.90, Expenses: $33,463.43. Filed by Attorney Samuel R Maizel (Attachments: # 1 Exhibit A # 2 Exhibit B)). (Maizel, Samuel) (Entered: 02/01/2019)
02/01/2019	1446 (2 pgs)	Order Approving Stipulation Continuing Hearing Regarding Debtors' Motions Under Section 1113 Of The Bankruptcy Code [Related Docket Nos. 1182, 1191, 1411]. Continued to February 13, 2019 at 10:00 a.m. (BNC-PDF) (Related Doc # 1426) Signed on 2/1/2019 (Lomeli, Lydia R.) (Entered: 02/01/2019)
02/01/2019	1447 (2 pgs)	Appellee Designation of Contents for Inclusion in Record of Appeal *Appellee Verity Health System Of California, Inc.s Additional Designation Of The Record On Appeal Re Becerra v. Verity Health System Of California, Inc., District Court Case No. 2:19-CV-00133-DMG* Filed by Debtor Verity Health

		System of California, Inc. (RE: related document(s)1207 Notice of Appeal and Statement of Election (Official Form 417A)). (Maizel, Samuel) (Entered: 02/01/2019)
02/01/2019	1448 (555 pgs; 4 docs)	Reply to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc.) Omnibus Reply to Objections to Motion of Debtors for (I) Entry of Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders, (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections, (3) Approving Form of Notice to be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances [Related Docket No. 1279] Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C) (Moyron, Tania) (Entered: 02/01/2019)*
02/01/2019	1449 (28 pgs)	Reply to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc., 1354 Objection filed by Creditor SEIU United Healthcare Workers - West, 1355 Response filed by Creditor Stationary Engineers Local 39, 1359 Objection filed by Creditor California Nurses Association, 1395 Objection filed by Creditor United Nurses Associations of CA/Union of Health Care Professionals) Omnibus Reply to Union Objections to Debtors' Motion for Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders; (2) Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice to Be Provided to Interested Parties; (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Declaration of Carsten Beith [Related Docket Nos. 1279, 1354, 1355, 1359 and 1395] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/01/2019)*
02/01/2019	1450 (6 pgs)	Objection (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc., 1449 Reply filed by Debtor Verity Health System of California, Inc.) Objection to Declaration of Kyrsten B. Skogstad In Support of California Nurses Association Objection to Debtors' Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders, Etc. [Related to Dkt. No. 1279] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/01/2019)*
02/01/2019	1451 (1 pg)	Notice of address to be used in specific case pursuant to 11 USC 342(e) Filed by Creditor FTG Builders Inc . (Lomeli, Lydia R.) (Entered: 02/01/2019)
02/01/2019	1452 (3 pgs; 2 docs)	Withdrawal of Claim(s): *filed by Sysco Los Angeles, Inc.* Filed by Creditor c/o Darryl S. Laddin Sysco Los Angeles, Inc.. (Attachments: # 1 Proof of Service) (Lampl, Robert) (Entered: 02/01/2019)

02/02/2019	1453 (58 pgs)	Monthly Operating Report. Operating Report Number: 4. For the Month Ending December 2018 Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 02/02/2019)
02/04/2019	1454	Transcript regarding Hearing Held 01/23/19 RE: #14.00 HEARING RE: 564 MOTION PURSUANT TO BANKRUPTCY RULE 7052(B) FOR AMENDMENT OF FINDINGS IN FINAL ORDER (I) AUTHORIZING POST-PETITION 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; #15.00 HEARING RE: 399 MOTION TO REJECT LEASE OR EXECUTORY CONTRACT / NOTICE OF MOTION AND MOTION TO REJECT PURSUANT TO 11 U.S.C. SECTION 365(A) PROFESSIONAL SERVICES AGREEMENT WITH ALL CARE MEDICAL GROUP, INC. AND RELATED EXECUTORY CONTRACTS AND UNEXPIRED LEASE NUNC PRO TUNC; #16.00 HEARING RE: 576 MOTION TO REJECT LEASE OR EXECUTORY CONTRACT; DEBTORS' NOTICE OF MOTION AND MOTION TO REJECT, PURSUANT TO 11 U.S.C. SECTION 365(A), PROFESSIONAL SERVICES AGREEMENT WITH ALL CARE MEDICAL GROUP AND RELATED EXECUTORY CONTRACTS AND UNEXPIRED LEASE NUNC PRO TUNC; #17.00 HEARING RE: 1180 MOTION, DEBTORS' NOTICE AND MOTION TO APPROVE SETTLEMENT AND ASSET PURCHASE AGREEMENT BY AND BETWEEN THE DEBTORS, VERITY MEDICAL FOUNDATION AND VERITY HEALTH SERVICES OF CALIFORNIA, INC. AND ALL CARE MEDICAL GROUP, INC. Remote electronic access to the transcript is restricted until 05/6/2019. The transcript may be viewed at the Bankruptcy Court Clerk's Office on a public terminal **or** purchased through the Transcription Service Provider before the transcript access restriction has ended. [TRANSCRIPTION SERVICE PROVIDER: eScribers, LLC, Telephone number 973-406-2250.]. Notice of Intent to Request Redaction Deadline Due By 2/11/2019. Redaction Request Due By 02/25/2019. Redacted Transcript Submission Due By 03/7/2019. Transcript access will be restricted through 05/6/2019. (Gottlieb, Jason) (Entered: 02/04/2019)
02/04/2019	1455	Transcript regarding Hearing Held 01/30/19 RE: #1.00 HEARING RE: 1181 MOTION UNDER SECTION 1113 TO REJECT AND TERMINATE TERMS OF COLLECTIVE BARGAINING AGREEMENTS UPON CLOSING OF SALE; #3.00 HEARING RE: 1191 MOTION - DEBTORS' MOTION UNDER 1113 OF THE BANKRUPTCY CODE TO REJECT AND TERMINATE THE TERMS OF THE LICENSED VOCATIONAL NURSES ASSOCIATION'S COLLECTIVE BARGAINING AGREEMENT WITH O'CONNOR HOSPITAL UPON CLOSING OF THE SALE OF THE HOSPITALS TO THE COUNTY OF SANTA CLARA; #9.00 HEARING RE: 1219 MOTION TO STAY PENDING APPEAL (RELATED DOCUMENTS 1207 NOTICE OF APPEAL AND STATEMENT OF ELECTION (OFFICIAL FORM 417A)). Remote electronic access to the transcript is restricted until 05/6/2019. The transcript may be viewed at the Bankruptcy Court Clerk's Office on a public terminal **or** purchased through the Transcription Service Provider before the transcript access restriction has ended. [TRANSCRIPTION SERVICE PROVIDER: eScribers, LLC, Telephone number 973-406-2250.]. Notice of Intent to Request Redaction Deadline Due By 2/11/2019. Redaction Request Due By 02/25/2019. Redacted Transcript Submission Due By 03/7/2019. Transcript access will be restricted through 05/6/2019. (Gottlieb, Jason) (Entered: 02/04/2019)
02/04/2019	1456 (2 pgs)	Supplemental *Supplement to Notice of Resolved and Unresolved Cure Objections Relating to Executory Contracts and Unexpired Leases Designated by Santa Clara County for Assumption and Assignment [Related Dkt. No.*

		1290] Filed by Debtor Verity Health System of California, Inc.. (Maizel, Samuel) (Entered: 02/04/2019)
02/04/2019	1457 (3 pgs)	Order Approving Stipulation Between Debtors And Swinerton Builders, Resolving Rule 7052 Motion For Amendment Of Findings In Final Order (I) Authorizing Postpetition Financing [?] [Related Docket Nos. 1315, 1306, 1280, 974, 968, 732, 564, 409, 392, 355, 309 And 269] (BNC-PDF) (Related Doc # 1437) Signed on 2/4/2019 (Lomeli, Lydia R.) (Entered: 02/04/2019)
02/04/2019	1458 (15 pgs)	Stipulation By Centers for Medicare and Medicaid Services, United States Department of Health and Human Services and *Stipulation to Postpone Hearing on Objection of the U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services to Debtors' Sale Procedures Motion and Allow Further Briefing with Proof of Service* Filed by Creditors Centers for Medicare and Medicaid Services, United States Department of Health and Human Services (Levey, Elan) (Entered: 02/04/2019)
02/04/2019	1459 (22 pgs; 2 docs)	Reply to (related document(s): 1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio filed by Debtor Verity Health System of California, Inc., 1349 Objection filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America, 1448 Reply filed by Debtor Verity Health System of California, Inc.) Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (Attachments: # 1 Proof of Service) (Rathbone, William) (Entered: 02/04/2019)*
02/04/2019	1460 (47 pgs)	Supplemental *Joint Supplement to Objection and Response to Debtors' Sale Motion [Dkt. 1279]* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al., Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee. (Behrens, James) CORRECTION: Correct attorney for Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee is Abigail V O'Brient. for Modified on 2/4/2019 (Lomeli, Lydia R.). (Entered: 02/04/2019)
02/04/2019	1461 (3 pgs)	Notice of motion/application */Second Supplement For an Order Establishing Bar Date For Filing Proofs Of Claim [Related To Docket No. 1236 and 1348]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1236 Motion *Notice of Motion and Motion for an Order Establishing Bar Date for Filing Proofs of Claim; Memorandum of Points and Authorities; Declaration of Richard G. Adcock in Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Moyron, Tania) (Entered: 02/04/2019)
02/04/2019	1462 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Medi-Cal Regarding Medicare Provider Agreements To Santa Clara County [Related Docket No. 1153]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/04/2019)
02/04/2019	1463 (9 pgs)	Errata *To Objection To Declaration Of Kyrsten B. Skogstad In Support of California Nurses Association Objection To Debtors Motion For The Entry Of (I) an Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders Etc.[Related Dkt. No. 1279]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1450 Objection). (Moyron, Tania) (Entered: 02/04/2019)
02/05/2019	1464 (3 pgs)	Order Denying California Attorney General's Motion To Stay The Court's Order (A) Authorizing The Sale Of Certain Of The Debtors Assets To Santa

		Clara County Free And Clear Of Liens, Claims, Encumbrances, And Other Interests Pending Appeal Of The Court's Memorandum Of Decision Overruling Objections Of The California Attorney General And Sale Order [Docket No. 1219](BNC-PDF) (Related Doc # 1219) Signed on 2/5/2019. (Evangelista, Maria) (Entered: 02/05/2019)
02/05/2019	1465 (2 pgs)	Order Approving Stipulation To Postpone Hearing On Objection Of The U.S. Department Of Health And Human Services And Centers For Medicare And Medicaid Services To Debtors Sale Procedures Motion And Allow Further Briefing (BNC-PDF) (Related Doc # 1458) Signed on 2/5/2019 (Evangelista, Maria) (Entered: 02/05/2019)
02/05/2019	1466 (2 pgs)	Order Approving Second Stipulation Continuing Hearing Regarding Transfer Of Medi-Cal Provider Agreements And Medicare Provider Agreements To Santa Clara County [Related Docket No. 1153]; The Continued Hearing Date (As Defined In The Stipulation) Shall Be Continued From February 6, 2019, At 10:00 A.M. To February 13, 2019, At 10:00 A.M. (BNC-PDF) (Related Doc # 1462) Signed on 2/5/2019 (Evangelista, Maria) (Entered: 02/05/2019)
02/05/2019	1467 (7 pgs)	Stipulation By Verity Health System of California, Inc. and *Cigna HealthCare of California, Inc. and Life Insurance Company of North America, and California Physicians' Service dba Blue Shield of California, and Aetna Life Insurance Company, and UnitedHealthcare Insurance Company, and Kaiser Foundation Hospitals; Second Stipulation Continuing Hearing Regarding Payor Cure Objections [Related Docket No. 1153]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) WARNING: Attorney to lodge order via LOU. See docket entry # 1468 for corrective action; Modified on 2/5/2019 (Evangelista, Maria). (Entered: 02/05/2019)
02/05/2019	1468	Notice to Filer of Error and/or Deficient Document **Other - Attorney to lodge order via LOU** (RE: related document(s)1467 Stipulation filed by Debtor Verity Health System of California, Inc.) (Evangelista, Maria) (Entered: 02/05/2019)
02/05/2019	1469 (4 pgs)	Declaration re: *Declaration of Richard G. Adcock in Support of Debtors' Notice of Motion and Motion for the Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders to Use, (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections, (3) Approving Form of Notice to be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) An Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio). (Moyron, Tania) (Entered: 02/05/2019)*
02/05/2019	1470 (1 pg)	Request for courtesy Notice of Electronic Filing (NEF) Filed by Choi, Jacquelyn. (Choi, Jacquelyn) (Entered: 02/05/2019)
02/05/2019	1471 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1262, 1263 and 1264* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1262 Stipulation and ORDER thereon (BNC-PDF), 1263 Declaration, 1264 Stipulation By Verity Health System of California, Inc. and *Engineers and Scientists of California, IFPTE Local 20; Stipulation Extending Deadline for Engineers and Scientists of California, IFPTE Local 20 to File Objection to Debtors' Motio). (Moyron, Tania) (Entered: 02/05/2019)*

02/05/2019	1472 (15 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Order Approving Stipulation Extending Deadline for Engineers and Scientists of California, IFPTE Local 20 to File Objection to Debtors' Motion Under Section 1113 of the Bankruptcy Code to Reject and Terminate the Terms of Engineers and Scientists of California, IFPTE Local 20's Collective Bargaining Agreements With O'Connor Hospital and Saint Louise Regional Hospital Upon the Closing of the Sale of Hospitals to the County of Santa Clara [Related Dkt. No. 1181]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1278 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 02/05/2019)
02/05/2019	1473 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Department of Health Care Services; Stipulation to Postpone Hearing on Objection of the California Department of Health Care Services to Debtors' Sale Procedures Motion and Allow Further Briefing [Related Docket Nos. 1279, 1353, 1438]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) WARNING: Attorney to lodge order via LOU. See docket entry # 1482 for corrective action; Modified on 2/6/2019 (Evangelista, Maria). (Entered: 02/05/2019)
02/05/2019	1474 (22 pgs; 3 docs)	Adversary case 2:19-ap-01042. Complaint by VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation, ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation, ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation against HERITAGE PROVIDER NETWORK, INC., a California corporation. (Charge To Estate). (Attachments: # 1 Adversary Proceeding Cover Sheet # 2 Notice of Required Compliance with Local Bankruptcy Rule 7026-1) Nature of Suit: (11 (Recovery of money/property - 542 turnover of property)),(71 (Injunctive relief - reinstatement of stay)) (Kahn, Steven) (Entered: 02/05/2019)
02/05/2019	1475 (44 pgs)	Ombudsman Report for the period of 12/8/2018 through 2/8/2019 Filed by Health Care Ombudsman Jacob Nathan Rubin. (Bender, Ron) (Entered: 02/05/2019)
02/05/2019	1476 (28 pgs)	Certificate of Service *Declaration of Service By Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1279, 1281 and 1282* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protectio, 1281 Application For Order Setting Hearing on Shortened Notice [LBR 9075-1(B)], 1282 ORDER shortening time (BNC-PDF)). (Moyron, Tania) (Entered: 02/05/2019)*
02/05/2019	1477 (32 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1285, 1290, 1291 and 1292* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1285 Stipulation By Verity Health System of California, Inc. and *Engineers and Scientists of California, IFPTE Local 20; Second Stipulation Extending Deadline for Engineers and Scientists of California, IFPTE Local 20 to File Objection to Debtors', 1290 Notice). (Moyron, Tania) (Entered: 02/05/2019)*
02/05/2019	1478 (18 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1295, 1301, 1302 and 1308* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1295 Notice, 1308 Original Holographic signature page). (Moyron, Tania) (Entered: 02/05/2019)

02/05/2019	1479 (23 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1308, 1311, 1319, 1323 and 1324* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1308 Original Holographic signature page, 1319 Stipulation and ORDER thereon (BNC-PDF), 1323 Supplemental, 1324 Supplemental). (Moyron, Tania) (Entered: 02/05/2019)
02/05/2019	1480 (22 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Stipulation Among Debtors, Health Net of California, Inc. and All Care Medical Group Re Assumption and Assignment of Contracts in Connection with Debtor's Motion to Approve Settlement and Asset Purchase Agreement By and Between the Debtors, Verity Medical Foundation and Verity Health Services of California, Inc., and All Care Medical Group, Inc.* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1326 Stipulation By Verity Health System of California, Inc. and *Verity Medical Foundation, and All Care Medical Group, Inc., and Health Net of California, Inc.; Stipulation Among Debtors, Health Net of California, Inc. and All Care Medical Group Re A). (Moyron, Tania) (Entered: 02/05/2019)*
02/05/2019	1481 (40 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1332, 1335, 1336, 1337, 1338, 1339 and 1340* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1335 Application for Compensation *Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* for Pachulski Stang Ziehl & Jones LLP, Debtor's Attorney, Period: 12/1/2018 to 12/31/2018, Fee: $48,683, 1336 Declaration, 1337 Original Holographic signature page, 1338 Stipulation and ORDER thereon (BNC-PDF), 1339 Stipulation By Verity Health System of California, Inc. and *Hooper Healthcare Consulting LLC; Stipulation Extending Deadline for Hooper Healthcare Consulting LLC re Debtors' Motion for the Entry of (I) An Order (1) Approving Form of Asset Pu, 1340 Stipulation By Verity Health System of California, Inc. and AHMC Healthcare Inc.; Stipulation Extending Deadline for AHMC Healthcare Inc. Re Debtors' Motion for the Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement for Sta). (Moyron, Tania) (Entered: 02/05/2019)*
02/06/2019	1482	Notice to Filer of Error and/or Deficient Document **Other - Attorney to lodge order via LOU** (RE: related document(s)1473 Stipulation filed by Debtor Verity Health System of California, Inc.) (Evangelista, Maria) (Entered: 02/06/2019)
02/06/2019	1483 (2 pgs)	Order Approving Stipulation To Postpone Hearing On Objection Of The California Department Of Health Care Services To Debtors' Sale Procedures Motion And Allow Further Briefing [Related Docket Nos. 1279, 1353, 1438] (BNC-PDF) (Related Doc # 1473) Signed on 2/6/2019 (Evangelista, Maria) (Entered: 02/06/2019)
02/06/2019	1484 (2 pgs)	Order Approving Second Stipulation Continuing Hearing Regarding Payor Cure Objections [Related Docket No. 1153]; The Hearing Date (as defined in the Stipulation) shall be continued from February 6, 2019, at 10:00 a.m. to February 13, 2019, at 10:00 a.m. (BNC-PDF) (Related Doc # 1467) Signed on 2/6/2019 (Evangelista, Maria) (Entered: 02/06/2019)
02/06/2019	1485 (14 pgs)	Application *Enforce Automatic Stay* Filed by Interested Party Medical Staff of Seton Medical Center (St James, Michael) (Entered: 02/06/2019)
02/06/2019	1486 (12 pgs)	Application shortening time Filed by Interested Party Medical Staff of Seton Medical Center (St James, Michael) (Entered: 02/06/2019)
02/06/2019	1487	Hearing Held re 1153 Cure objections - The hearing is CONTINUED to

		February 13, 2019, at 10:00 a.m. pursuant to the parties' Stipulation [Doc. No. 1467]. Party to lodge order: Movant (Lomeli, Lydia R.) (Entered: 02/06/2019)
02/06/2019	1488	Hearing Held (RE: related document(s)1279 Motion and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice To Be Provided To Interested Parties; (4) Scheduling A Court Hearing To Consider Approval of The Sale To The Highest Bidder; and (5) Approving Procedures Related To The Assumption of Certain Executory Contracts and Unexpired Leases; and (II) An Order (A) Authorizing The Sale of Property Free and Clear of All Claims, Liens and Encumbrances; filed by Debtor Verity Health System of California, Inc.) After argument at hearing the Court approves a break up fee of 3.25% as a reasonable exercise of the Debtor's business judgment. Further, the Court approved certain amendment to paragraph 8.6 of the proposed Asset Purchase Agreement as set forth on the record. All other objections were overruled or were subject to stipulations which will be incorporated into a revised Order to be lodged by the Debtor.Debtor to lodge an order. (Lomeli, Lydia R.) (Entered: 02/06/2019)
02/06/2019	1489 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1446 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/06/2019. (Admin.) (Entered: 02/06/2019)
02/06/2019	1490 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1457 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/06/2019. (Admin.) (Entered: 02/06/2019)
02/07/2019	1491 (4 pgs)	Order Denying ORDER shortening time re Motion to Enforce Automatic Stay (BNC-PDF) (Related Doc # 1486) Signed on 2/7/2019 (Lomeli, Lydia R.) (Entered: 02/07/2019)
02/07/2019	1492 (36 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1348, 1356, 1368, 1369, 1370, 1371, 1372 and 1373* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1348 Supplemental, 1356 Stipulation By Verity Health System of California, Inc. and *California Department of Health Care Service and the United States Department of Health and Human Services Continuing Hearing Regarding Transfer of Medi-Cal Provider Agreements and Medic, 1368 Order on Generic Motion (BNC-PDF), 1369 Stipulation and ORDER thereon (BNC-PDF), 1370 Stipulation and ORDER thereon (BNC-PDF), 1371 Stipulation and ORDER thereon (BNC-PDF), 1372 Supplemental, 1373 Supplemental). (Moyron, Tania) (Entered: 02/07/2019)*
02/07/2019	1493 (33 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1374, 1375, 1384, 1387, 1392, 1393, 1394 and 1396* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1374 Stipulation By Verity Health System of California, Inc. and *United Nurses Associations of California/Union of Health Care Professionals Extending Deadline For United Nurses Associations of California/Union of Health Care Professionals Re Debtors, 1375 Stipulation By Verity Health System of California, Inc. and Saint Vincent IPA and Angeles IPA Extending Deadline For Saint Vincent IPA and Angeles IPA Re Debtors Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement, 1384 Stipulation By Verity Health System of California, Inc. and Cigna HealthCare of California, Inc. and Life Insurance Company of North America, and California Physicians' Service dba Blue Shield of California, and Aetna Life Insurance Company,, 1387 Stipulation and ORDER thereon (BNC-PDF), 1392 Application for Compensation Berkeley Research Group, LLC's Fourth Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period December 1, 2018 Through*

		December 31, 2018 for Ber, 1393 Stipulation By Verity Health System of California, Inc. and OCH Forest 1, General Partner of O'Connor Health Center 1; Stipulation Resolving OCH Forest 1 and O'Connor Health Center 1 Cure Objection [Related Dkt. No. 913], 1394 Supplemental). (Moyron, Tania) (Entered: 02/07/2019)
02/07/2019	1494 (23 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1404, 1405, 1409 and 1411* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1404 Stipulation and ORDER thereon (BNC-PDF), 1405 Stipulation and ORDER thereon (BNC-PDF), 1409 Stipulation and ORDER thereon (BNC-PDF), 1411 Order (Generic) (BNC-PDF)). (Moyron, Tania) (Entered: 02/07/2019)
02/07/2019	1495 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1421 and 1422* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1421 Supplemental, 1422 Notice of Lodgment). (Moyron, Tania) (Entered: 02/07/2019)
02/07/2019	1496 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Stipulation Continuing Hearing Regarding Debtors' Motions Under Section 1113 of the Bankruptcy Code [Related Docket Nos. 1182, 1191, 1411]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1426 Stipulation By Verity Health System of California, Inc. and *California Nurses Association, and Official Committee of Unsecured Creditors, and Service Employee International Union-United Healthcare Workers-West, and County of Santa Clara; Stipulat). (Moyron, Tania) (Entered: 02/07/2019)*
02/07/2019	1497 (27 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1437, 1438, 1442, 1443, 1445, 1446, 1447, 1448, 1449 and 1450* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1437 Stipulation By Verity Health System of California, Inc. and *Swinerton Builders, Resolving Rule 7052 Motion For Amendment of Findings In Final Order (I) Authorizing Postpetition Financing [] [RELATED DOCKET NOS. 1315, 1306, 1280, 974, 1315, 1306,, 1443 Application for Compensation Dentons US LLPs Fourth Professional Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period December 2018 for Samuel R Maizel, Debtor's Attorney, Perio, 1445 Notice, 1446 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 02/07/2019)*
02/07/2019	1498 (21 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1453, 1456 and 1457* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1453 Monthly Operating Report, 1456 Supplemental, 1457 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 02/07/2019)
02/07/2019	1499 (30 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1461, 1462, 1463, 1464, 1466, 1467, 1469, 1473 and 1474* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1461 Notice of motion/application, 1462 Stipulation By Verity Health System of California, Inc. and *Medi-Cal Regarding Medicare Provider Agreements To Santa Clara County [Related Docket No. 1153]*, 1463 Errata, 1464 Order on Motion To Stay Pending Appeal (BNC-PDF), 1466 Stipulation and ORDER thereon (BNC-PDF), 1467 Stipulation By Verity Health System of California, Inc. and *Cigna HealthCare of California, Inc. and Life Insurance Company of North America, and California Physicians' Service dba Blue Shield of California, and Aetna Life Insurance Company,, 1469 Declaration, 1473 Stipulation By Verity Health System of California, Inc. and Department of Health Care Services; Stipulation to Postpone Hearing on Objection of the California Department of Health Care Services to Debtors' Sale Procedures Motion and Allow Fu). (Moyron, Tania) (Entered: 02/07/2019)*

02/07/2019	1500 (3 pgs)	Statement *on Fees and Expenses Paid to Ordinary Course Professionals for the Period August 31, 2018, through December 31, 2018* Filed by Debtor Verity Health System of California, Inc.. (Moe, John) (Entered: 02/07/2019)
02/07/2019	1501 (72 pgs; 5 docs)	Opposition to (related document(s): 1192 Motion *Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Cl filed by Debtor Verity Health System of California, Inc.) SEIU-UHW's Supplemental Brief in Opposition to Debtor's Motion Under 1113 Filed by Creditor SEIU United Healthcare Workers - West (Attachments: # 1 Affidavit Supplemental Declaration of Greg Pullman # 2 Affidavit Second Declaration of Caitlin Gray # 3 Affidavit Declaration of Jacqueline McElroy # 4 Affidavit Declaration of William Rhodes) (Rich, Emily) (Entered: 02/07/2019)*
02/07/2019	1502 (5 pgs)	Response to (related document(s): 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl filed by Debtor Verity Health System of California, Inc., 1191 Motion Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement with O'Connor Hospital Upon Closing of the Sale of these Hospita filed by Debtor Verity Health System of California, Inc.) Filed by Interested Party County of Santa Clara (Jones, Gregory) (Entered: 02/07/2019)*
02/07/2019	1503 (27 pgs)	Supplemental *Response to Debtors' Motions to Reject or Modify Collective Bargaining Agreements* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.. (Behrens, James) (Entered: 02/07/2019)
02/07/2019	1504 (4 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1464 Order on Motion To Stay Pending Appeal (BNC-PDF)) No. of Notices: 4. Notice Date 02/07/2019. (Admin.) (Entered: 02/07/2019)
02/07/2019	1505 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1465 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/07/2019. (Admin.) (Entered: 02/07/2019)
02/07/2019	1506 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1466 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/07/2019. (Admin.) (Entered: 02/07/2019)
02/07/2019	1507 (41 pgs)	Response to (related document(s): 1181 Motion *Under §1113 to Reject and Terminate Terms of... Collective Bargaining Agreements Upon... Closing of Sale* filed by Debtor Verity Health System of California, Inc., 1191 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Reject and Terminate the Terms of the Licensed Vocational Nurses Association's Collective Bargaining Agreement with O'Connor Hospital Upon Closing of the Sale of these Hospita filed by Debtor Verity Health System of California, Inc.) Court Order For Additional Briefing Regarding Selected Issues Concerning Debtors Motions Under § 1113 Of The Bankruptcy Code; Declarations Of Richard G. Adcock, Carlos De La Parra And David Galfus In Support Thereof Relates To Docket No. [1181, 1182, 1191, 1192, 1193, 1194, 1195, 1202, 1269, 1270, 1271, 1273 And 1411] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/07/2019)*
02/07/2019	1508 (31 pgs; 3 docs)	Response to (related document(s): 1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of*

		California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Cl filed by Debtor Verity Health System of California, Inc.) Filed by Creditor California Nurses Association (Attachments: # 1 Exhibit 1 # 2 Proof of Service) (Skogstad, Kyrsten) (Entered: 02/07/2019)
02/08/2019	1509 (7 pgs)	Certificate of Readiness of Record on Appeal to District Court - Case Number: 2:19-cv-00133-DMG. (RE: related document(s)1207 Notice of Appeal and Statement of Election (Official Form 417A) filed by Interested Party Attorney General For The State Of Ca) (Milano, Sonny) (Entered: 02/08/2019)
02/08/2019	1510 (1 pg)	Transcript Order Form, regarding Hearing Date 12/19/18 Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.. (Behrens, James) WARNING: Copy of Transcript 18ER22. See entry 1118. Modified on 2/8/2019 (Lomeli, Lydia R.). (Entered: 02/08/2019)
02/08/2019	1511 (4 pgs)	Errata *to Response To Court Order For Additional Briefing Regarding Selected Issues Concerning Debtors Motions Under § 1113 of The Bankruptcy Code; Declarations of Richard G. Adcock, Carlos De La Parra and David Galfus In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1507 Response). (Moyron, Tania) (Entered: 02/08/2019)
02/08/2019	1512 (22 pgs)	Proof of service *re Response (Docket No. 1502) to Debtors' Motions Under 1113 of the Bankruptcy Code* Filed by Interested Party County of Santa Clara. (Jones, Gregory) (Entered: 02/08/2019)
02/08/2019	1513 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *Department of Health Care Services and U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services - Third Stipulation Continuing Hearing Regarding Transfer Of Medi-Cal Provider Agreements And Medicare Provider Agreements To Santa Clara County [Related Docket No. 1153]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/08/2019)
02/08/2019	1514 (15 pgs)	Notice of motion/application *to Enforce Automatic Stay* Filed by Interested Party Medical Staff of Seton Medical Center. (St James, Michael) (Entered: 02/08/2019)
02/08/2019	1515 (1 pg)	Transcript Order Form, regarding Hearing Date 02/06/19 Filed by Interested Party Strategic Global Management, Inc.. (Klausner, Gary) (Entered: 02/08/2019)
02/08/2019	1516	Hearing Set (RE: related document(s)1485 Motion To Enforce Automatic Stay filed by Interested Party Medical Staff of Seton Medical Center) The Hearing date is set for 3/4/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 02/08/2019)
02/08/2019	1517 (19 pgs)	Declaration re: non opposition Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1236 Motion *Notice of Motion and Motion for an Order Establishing Bar Date for Filing Proofs of Claim; Memorandum of Points and Authorities; Declaration of Richard G. Adcock in Support Thereof*). (Moe, John)WARNING: See entry 1522 for corrective action. Attorney to re-file using correct event code: 'Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)) ' Modified on 2/11/2019 (Lomeli, Lydia R.). (Entered: 02/08/2019)
02/08/2019	1518	Transcript Record Transmittal (Court transcript records have been uploaded to FDS). For Order Number: 19-ER-08. RE Hearing Date: 02/06/2019,

		[TRANSCRIPTION SERVICE PROVIDER: Briggs Reporting, Inc, Telephone number (310) 410-4151.] (RE: related document(s)1515 Transcript Order Form (Public Request) filed by Interested Party Strategic Global Management, Inc.) (Lomeli, Lydia R.) (Entered: 02/08/2019)
02/08/2019	1519 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1483 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/08/2019. (Admin.) (Entered: 02/08/2019)
02/08/2019	1520 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1484 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/08/2019. (Admin.) (Entered: 02/08/2019)
02/09/2019	1521 (11 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1491 ORDER shortening time (BNC-PDF)) No. of Notices: 4. Notice Date 02/09/2019. (Admin.) (Entered: 02/09/2019)
02/11/2019	1522	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT.** WARNING: Attorney to re-file using correct event code: 'Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)) ' (RE: related document(s)1517 Declaration re: non opposition filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 02/11/2019)
02/11/2019	1523 (7 pgs)	Stipulation By Verity Health System of California, Inc. and *Cigna HealthCare of California, Inc. and Life Insurance Company of North America, and California Physicians' Service dba Blue Shield of California, and Aetna Life Insurance Company, and UnitedHealthcare Insurance Company, and Kaiser Foundation Hospitals; Third Stipulation Continuing Hearing Regarding Payor Cure Objections [Related Docket No. 1153]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/11/2019)
02/11/2019	1524 (15 pgs)	Notice *of Application Under 11 U.S.C. § 1103 and Fed. R. Bankr. P. 2014 and 5002 Authorizing the Employment and Retention of Arent Fox LLP as Special Counsel to the Official Committee of Unsecured Creditors* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.. (Behrens, James) (Entered: 02/11/2019)
02/11/2019	1525 (20 pgs)	Supplemental *[Submission Of Supplement To Second Report By Patient Care Ombudsman, Jacob Nathan Rubin, MD, FACC, Pursuant To 11 U.S.C. § 333(B)(2) {POS Attached)]*- Filed by Health Care Ombudsman Jacob Nathan Rubin. (Bender, Ron) (Entered: 02/11/2019)
02/11/2019	1526 (2 pgs)	Order Approving Third Stipulation Continuing Hearing Regarding Transfer Of Medi-Cal Provider Agreements And Medicare Provider Agreements To Santa Clara County [Related Docket No. 1153]. The Continued Hearing Date (as defined in the Stipulation) shall be continued to February 20, 2019, at 10:00 a.m. (Pacific Time).(BNC-PDF) (Related Doc # 1513) Signed on 2/11/2019 (Lomeli, Lydia R.) (Entered: 02/11/2019)
02/11/2019	1527 (4 pgs)	Order Approving Terms Of Agreements Resolving Certain Cure Objections Relating To Executory Contracts And Unexpired Leases Designated By Santa Clara County For Assumption And Assignment [Related Docket No. 1290, 1292] (BNC-PDF) (Related Doc # 365) Signed on 2/11/2019 (Lomeli, Lydia R.) (Entered: 02/11/2019)
02/11/2019	1528 (18 pgs)	Order Setting Last Day To File Proofs of Claim (BNC-PDF) Signed on 2/11/2019. Proofs of Claims due by 4/1/2019. Government Proof of Claim due by 8/12/2019. (Lomeli, Lydia R.) (Entered: 02/11/2019)

02/11/2019		Receipt of Motion Filing Fee - $181.00 by 71. Receipt Number 20232785. (admin) (Entered: 02/11/2019)
02/12/2019	1529 (1 pg)	Notice RE: BK Record Complete, Briefing Schedule RE: Appeal 2:19-cv-00133-DMG (Originally filed at District Court 02/11/2019). (RE: related document(s)1207 Notice of Appeal and Statement of Election (Official Form 417A) filed by Interested Party Attorney General For The State Of Ca) (Milano, Sonny) (Entered: 02/12/2019)
02/12/2019	1530 (36 pgs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Myung Soo Han v. Verity Health System of California et al., BC647082 . Fee Amount $181, Filed by Creditor Myung Soo Han (Lomeli, Lydia R.) (Entered: 02/12/2019)
02/12/2019	1531	Hearing Set (RE: related document(s)1530 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Myung Soo Han) The Hearing date is set for 3/18/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 02/12/2019)
02/12/2019	1532 (2 pgs)	Order Approving Third Stipulation Continuing Hearing Regarding Payor Cure Objections [Related Docket No. 1153. Continued to February 20, 2019, at 10:00 a.m. (Pacific Time). (BNC-PDF) (Related Doc # 1523) Signed on 2/12/2019 (Lomeli, Lydia R.) (Entered: 02/12/2019)
02/12/2019	1533 (17 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Statement on Fees and Expenses Paid to Ordinary Course Professionals for the Period August 31, 2018, Through December 31, 2018* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1500 Statement). (Moyron, Tania) (Entered: 02/12/2019)
02/12/2019	1534 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1483 and 1484* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1483 Stipulation and ORDER thereon (BNC-PDF), 1484 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 02/12/2019)
02/12/2019	1535 (21 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1507, 1511, 1513 and 1517* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1511 Errata, 1513 Stipulation By Verity Health System of California, Inc. and *Department of Health Care Services and U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services - Third Stipulation Continuing Hearing Regarding Transf, 1517 Declaration re: non opposition). (Moyron, Tania) (Entered: 02/12/2019)*
02/13/2019	1536 (5 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *U.S. Bank National Association Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) WARNING: See entry 1537 for corrective action. Attorney to lodge order via LOU. Modified on 2/13/2019 (Lomeli, Lydia R.). (Entered: 02/13/2019)
02/13/2019	1537	Notice to Filer of Error and/or Deficient Document **Other -** WARNING: Attorney to lodge order via LOU. (RE: related document(s)1536 Stipulation filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Lomeli, Lydia R.) (Entered: 02/13/2019)

02/13/2019	1538 (4 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *UMB Bank, N.A. Regarding Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 02/13/2019)
02/13/2019	1539	Hearing Held re 1153 objections filed in connection with the Subsequently Identified Designated Contracts - No appearances required on this matter.This hearing was set in the event that Santa Clara County elected to assume anyadditional executory contracts and/or unexpired leases (the "Subsequently Identified Contracts"), for the purpose of addressing objections to assumption and/or assignment. No objections in connection with the assumption and assignment of Subsequently Identified Contracts have been asserted. This hearing is VACATED as moot.(Lomeli, Lydia R.) (Entered: 02/13/2019)
02/13/2019	1540 (13 pgs)	Proof of service Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1536 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *U.S. Bank National Association Extending Challenge Deadline*, 1538 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *UMB Bank, N.A. Regarding Challenge Deadline*). (Behrens, James) (Entered: 02/13/2019)
02/13/2019	1541 (29 pgs)	Hearing Held (RE: related document(s)1182 Motion Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Closing of the Sale of Hospitals to the County of Santa Clara filed by Debtor Verity Health System of California, Inc.) (read ruling attached). Party to lodge order: Movant. (Amended after hearing in RED.) For the reasons set forth below, the Debtorsmotions to reject collective bargaining agreements with the California NursesAssociation and the Service Employee International UnionUnited HealthcareWorkers West are GRANTED. The Court approves the settlements reached betweenthe Debtors and the Engineers and Scientists of California, IFPTE Local 20 and the California Licensed Vocational Nurses Association. (Lomeli, Lydia R.) Additional attachment(s) added on 2/13/2019 (Lomeli, Lydia R.). (Entered: 02/13/2019)
02/13/2019	1542 (30 pgs; 2 docs)	Hearing Held (RE: related document(s)1192 Motion Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Closing of the Sale of Hospitals to the County of Santa Clara filed by Debtor Verity Health System of California, Inc.) (read ruling attached). Party to lodge order: Movant. (Amended after hearing in RED.) For the reasons set forth below, the Debtors motions to reject collective bargaining agreements with the California Nurses Association and the Service Employee International Union United Healthcare Workers West are GRANTED. The Court approves the settlements reached between the Debtors and the Engineers and Scientists of California, IFPTE Local 20 and the California Licensed Vocational Nurses Association.(Lomeli, Lydia R.) Additional attachment(s) added on 2/13/2019 (Lomeli, Lydia R.). (Entered: 02/13/2019)
02/13/2019	1543	Hearing Held re 1153 Cure objections . Party to lodge order: Movant. This hearing is CONTINUED to February 20, 2019, at 10:00 a.m., pursuant to theThird Stipulation Continuing Hearing Regarding Payor Cure Objections [Doc. No.1153]. (Lomeli, Lydia R.) (Entered: 02/13/2019)
02/13/2019	1544	Notice of Bar Date for Filing Proofs of Claim in a Chapter 11 *Notice of Bar*

	(9 pgs)	*Date for Filing Proofs of Claims and Interests* Filed by Debtor Verity Health System of California, Inc.. (Maizel, Samuel) (Entered: 02/13/2019)
02/13/2019	1545 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1526 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/13/2019. (Admin.) (Entered: 02/13/2019)
02/13/2019	1546 (11 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1527 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF)) No. of Notices: 4. Notice Date 02/13/2019. (Admin.) (Entered: 02/13/2019)
02/13/2019	1547 (19 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1528 Order Setting Last Day To File Proofs of Claim (BNC-PDF)) No. of Notices: 4. Notice Date 02/13/2019. (Admin.) (Entered: 02/13/2019)
02/14/2019	1548 (1 pg)	Transcript Order Form, regarding Hearing Date 02/13/2019 Filed by Interested Party County of Santa Clara. (Jones, Gregory) (Entered: 02/14/2019)
02/14/2019	1549	Transcript Record Transmittal (Court transcript records have been uploaded to FDS). For Order Number: 19-ER-10. RE Hearing Date: 02/13/2019, [TRANSCRIPTION SERVICE PROVIDER: Ben Hyatt Certified Deposition Reporters, Telephone number 888-272-0022.] (RE: related document(s)1548 Transcript Order Form (Public Request) filed by Interested Party County of Santa Clara) (Lomeli, Lydia R.) (Entered: 02/14/2019)
02/14/2019	1550 (75 pgs)	Stipulation By Verity Health System of California, Inc. and *Aetna Life Insurance Company to Modify the Automatic Stay for the Limited Purpose of Sending Notice and Deadline to Object* Filed by Debtor Verity Health System of California, Inc. (Cho, Shirley) (Entered: 02/14/2019)
02/14/2019	1551 (17 pgs)	Motion *Notice of Motion and Motion to Approve Stipulation with Aetna Life Insurance Company* Filed by Debtor Verity Health System of California, Inc. (Cho, Shirley) (Entered: 02/14/2019)
02/14/2019	1552 (2 pgs)	Notice of Hearing *Notice to Professionals of Scheduled Hearing Date for Interim Fee Applications* Filed by Debtor Verity Health System of California, Inc.. (Moe, John) (Entered: 02/14/2019)
02/14/2019	1553 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1532 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/14/2019. (Admin.) (Entered: 02/14/2019)
02/15/2019	1554	Hearing Set re 1552 Interim fee applications. The Hearing date is set for 4/3/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 02/15/2019)
02/15/2019	1555 (36 pgs)	Notice of lodgment *of Order in Bankruptcy Case Re: Debtors' Bidding Procedures Motion and Sale [Docket No. 1279]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice To Be Provided To Interested Parties; (4) Scheduling A Court Hearing To Consider Approval of The Sale To The Highest Bidder; and (5) Approving Procedures Related To The Assumption of Certain Executory Contracts and Unexpired Leases; and (II) An Order (A) Authorizing The Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Memorandum of Points and Authorities In Support Thereof*

		Filed by Debtor Verity Health System of California, Inc.). (Moyron, Tania) (Entered: 02/15/2019)
02/15/2019	1556 (41 pgs)	Notice *of Filing of Redline of Changes to Proposed Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders, (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections, (3) Approving Form of Notice to Be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest bidder and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims Liens and Encumbrances [Filed at Docket No. 1555]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1555 Notice of lodgment *of Order in Bankruptcy Case Re: Debtors' Bidding Procedures Motion and Sale [Docket No. 1279]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice To Be Provided To Interested Parties; (4) Scheduling A Court Hearing To Consider Approval of The Sale To The Highest Bidder; and (5) Approving Procedures Related To The Assumption of Certain Executory Contracts and Unexpired Leases; and (II) An Order (A) Authorizing The Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Memorandum of Points and Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc.).). (Moyron, Tania) (Entered: 02/15/2019)
02/15/2019	1557 (16 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *UMB Bank, N.A. Regarding Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 02/15/2019)
02/15/2019	1558 (27 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1523, 1526, 1527 and 1528* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1523 Stipulation By Verity Health System of California, Inc. and *Cigna HealthCare of California, Inc. and Life Insurance Company of North America, and California Physicians' Service dba Blue Shield of California, and Aetna Life Insurance Company,, 1526 Stipulation and ORDER thereon (BNC-PDF), 1527 Order on Motion for Sale of Property under Section 363(b) (BNC-PDF), 1528 Order Setting Last Day To File Proofs of Claim (BNC-PDF)). (Moyron, Tania) (Entered: 02/15/2019)*
02/15/2019	1559 (19 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Order Approving Third Stipulation Continuing Hearing Regarding Payor Cure Objections [Related Docket No. 1153]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1532 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 02/15/2019)
02/15/2019	1560 (3 pgs)	Order Approving Stipulation Between U.S. Bank National Association And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1536) Signed on 2/15/2019 (Lomeli, Lydia R.) (Entered: 02/15/2019)
02/15/2019	1561 (3 pgs)	Order Approving Fourth Stipulation Between UMB Bank, N.A. And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1538) Signed on 2/15/2019 (Lomeli, Lydia R.) (Entered: 02/15/2019)

02/15/2019	1562 (6 pgs)	Notice of lodgment *of Order in Bankruptcy Case Re: Debtors' 1113 Motion re: SEIU Collective Bargaining Agreement [Docket No. 1192]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1192 Motion *Debtor's Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreement with Certain Debtors Upon the Closing of the Sale of Hospitals to the County of Santa Clara* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit # 2 Exhibit # 3 Exhibit)). (Moyron, Tania) (Entered: 02/15/2019)
02/15/2019	1563 (6 pgs)	Notice of lodgment *of Order in Bankruptcy Case Re: Debtors' 1113 Motion Re: California Nurses Association's Collective Bargaining Agreement [Docket No. 1182]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1182 Motion *Debtors' Motion Under 1113 of the Bankruptcy Code to Modify, Reject and Terminate Certain Terms of California Nurses Association's Collective Bargaining Agreement with O'Connor Hospital and Saint Louise Regional Hospital Upon Closing of the Sale of Hospitals to the County of Santa Clara* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit # 2 Exhibit # 3 Exhibit # 4 Exhibit # 5 Exhibit # 6 Exhibit)). (Moyron, Tania) (Entered: 02/15/2019)
02/16/2019	1564 (4 pgs)	Stipulation By Verity Health System of California, Inc. and *California Department of Health Care Services and U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services - Fourth Stipulation Continuing Hearing Regarding Transfer Of Medi-Cal Provider Agreements And Medicare Provider Agreements To Santa Clara County [Related Docket No. 1153]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/16/2019)
02/17/2019	1565	Transcript regarding Hearing Held 02/13/19 RE: In Re: Verity Health System of California, Inc.. Remote electronic access to the transcript is restricted until 05/20/2019. The transcript may be viewed at the Bankruptcy Court Clerk's Office on a public terminal **or** purchased through the Transcription Service Provider before the transcript access restriction has ended. [TRANSCRIPTION SERVICE PROVIDER: Ben Hyatt Corporation, Telephone number 8882720022.]. Notice of Intent to Request Redaction Deadline Due By 2/25/2019. Redaction Request Due By 03/11/2019. Redacted Transcript Submission Due By 03/20/2019. Transcript access will be restricted through 05/20/2019. (Hyatt, Mitchell) (Entered: 02/17/2019)
02/17/2019	1566 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1560 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/17/2019. (Admin.) (Entered: 02/17/2019)
02/17/2019	1567 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1561 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/17/2019. (Admin.) (Entered: 02/17/2019)
02/19/2019	1568 (12 pgs; 2 docs)	Application of non-resident attorney to appear in a specific case per Local Bankruptcy rule *for United States Government Attorney Cameo M. Kaisler* Filed by Creditor Pension Benefit Guaranty Corporation (Attachments: # 1 Proposed Order) (Kaisler, Cameo) (Entered: 02/19/2019)
02/19/2019	1569 (7 pgs)	Certificate of Readiness of Record on Appeal to District Court - Case Number: 2:18-cv-10675-RGK. (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A) filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Ghaltchi (Johnson), Dina) CORRECTION: Issued Prematurely - Refer To Docket Entry #1586. Modified on 2/20/2019 (Milano, Sonny). (Entered: 02/19/2019)

02/19/2019	1570	Transcript regarding Hearing Held 02/06/19 RE: MOTION AND NOTICE OF MOTION FOR THE ENTRY OF AN ORDER. Remote electronic access to the transcript is restricted until 05/20/2019. The transcript may be viewed at the Bankruptcy Court Clerk's Office on a public terminal **or** purchased through the Transcription Service Provider before the transcript access restriction has ended. [TRANSCRIPTION SERVICE PROVIDER: BRIGGS REPORTING COMPANY, INC., Telephone number 310-410-4151.]. Notice of Intent to Request Redaction Deadline Due By 2/26/2019. Redaction Request Due By 03/12/2019. Redacted Transcript Submission Due By 03/22/2019. Transcript access will be restricted through 05/20/2019. (Martens, Holly) (Entered: 02/19/2019)
02/19/2019	1571 (7 pgs)	Stipulation By Verity Health System of California, Inc. and *Cigna HealthCare of California, Inc. and Life Insurance Company of North America, and California Physicians' Service dba Blue Shield of California, and Aetna Life Insurance Company, and UnitedHealthcare Insurance Company, and Kaiser Foundation Hospitals; Fourth Stipulation Continuing Hearing Regarding Payor Cure Objections [Related Docket No. 1153]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/19/2019)
02/19/2019	1572 (36 pgs)	Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof. Sale Hearing shall be held on April 17, 2019 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012. (BNC-PDF) (Related Doc # 1279) Signed on 2/19/2019 (Lomeli, Lydia R.) (Entered: 02/19/2019)
02/19/2019	1573	Hearing Set re 1572 Authorizing the Sale ofProperty Free and Clear of All Claims, Liens and Encumbrances [Docket No. 1279]. The Hearing date is set for 4/17/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 02/19/2019)
02/19/2019	1574 (3 pgs)	Order Approving Fifth Stipulation Between UMB Bank, N.A. And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1557) Signed on 2/19/2019 (Lomeli, Lydia R.) (Entered: 02/19/2019)
02/19/2019	1575 (3 pgs)	Order Approving Debtors' Motion Under section 1113 Of The Bankruptcy Code To Reject And Terminate The Terms Of Engineers And Scientists Of California, IPFTE Local 20's Collective Bargaining Agreements With O'connor Hospital And Saint Louise Regional Hospital Upon The Closing Of The Sale Of Hospitals To The County Of Santa Clara. [Relates To Docket Nos. 1181, 1373] (BNC-PDF) (Related Doc # 1181) Signed on 2/19/2019 (Lomeli, Lydia R.) (Entered: 02/19/2019)
02/19/2019	1576 (3 pgs)	Order Approving Debtors' Motion Under 1113 Of The Bankruptcy Code To Reject And Terminate The Terms Of The Licensed Vocational Nurses Association's Collective Bargaining Agreement With O'connor Hospital Upon Closing Of The Sale Of These Hospitals To The County Of Santa Clara [Relates To Docket Nos. 1191, 1372] (BNC-PDF) (Related Doc # 1191) Signed on 2/19/2019 (Lomeli, Lydia R.) (Entered: 02/19/2019)

02/19/2019	1577 (5 pgs)	Order Granting Debtors' Motion Under sectioin 1113 Of The Bankruptcy Code To Modify, Reject And Terminate The Terms Of Service Employee International Union-United Healthcare Workers-West's Collective Bargaining Agreements With Certain Debtors Upon The Closing Of The Sale Of Hospitals To Santa Clara County . [Relates to Docket No. 1192] (BNC-PDF) (Related Doc # 1192) Signed on 2/19/2019 (Lomeli, Lydia R.) (Entered: 02/19/2019)
02/19/2019	1578 (5 pgs)	Order Granting Debtors' Motion Under section 1113 Of The Bankruptcy Code To (A) Reject And Terminate The Terms Of California Nurses Association's Collective Bargaining Agreements With Saint Louise Regional Hospital And O'connor Hospital And (B) To Modify Related Provisions In A Certain Master Agreement Upon The Closing Of The Sale Of Hospitals To Santa Clara County. [Relates to Docket No. 1182] (BNC-PDF) (Related Doc # 1182) Signed on 2/19/2019 (Lomeli, Lydia R.) (Entered: 02/19/2019)
02/19/2019	1579 (2 pgs)	Order Granting Debtor's Motion For Entry Of An Order Pursuant To Section 365(d)(4) Of The Bankruptcy Code Extending The Time To Assume Or Reject Unexpired Leases Of Nonresidential Real Property. [Relates To Docket No. 1147] (BNC-PDF) (Related Doc # 1147) Signed on 2/19/2019 (Lomeli, Lydia R.) (Entered: 02/19/2019)
02/19/2019	1580 (2 pgs)	Order Approving Fourth Stipulation Continuing Hearing Regarding Transfer Of Medi-Cal Provider Agreements And Medicare Provider Agreements To Santa Clara County [Related Docket No. 1153]. Continued February 27, 2019, at 10:00 a.m. (Pacific Time). (BNC-PDF) (Related Doc # 1564) Signed on 2/19/2019 (Lomeli, Lydia R.) (Entered: 02/19/2019)
02/19/2019	1581 (2 pgs)	Order Granting ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF) re CAMEO M. KAISLER (Related Doc # 1568) Signed on 2/19/2019 (Lomeli, Lydia R.) (Entered: 02/19/2019)
02/19/2019	1582 (62 pgs)	Opposition to (related document(s): 1485 Application *Enforce Automatic Stay* filed by Interested Party Medical Staff of Seton Medical Center, 1514 Notice of motion/application filed by Interested Party Medical Staff of Seton Medical Center) *Debtors Response And Opposition To Motion To Enforce Automatic Stay [Docket No. 1514]; Declarations Of Tirso Del Junco, Jr., M.D.* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 02/19/2019)
02/19/2019	1583 (3 pgs)	Appellee Designation of Contents for Inclusion in Record of Appeal / *Additional Designation of The Record on Appeal [Relates To Docket No. 409]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A)). (Maizel, Samuel) (Entered: 02/19/2019)
02/19/2019	1584 (12 pgs)	Opposition to (related document(s): 1485 Application *Enforce Automatic Stay* filed by Interested Party Medical Staff of Seton Medical Center, 1514 Notice of motion/application filed by Interested Party Medical Staff of Seton Medical Center) *Official Committee of Unsecured Creditors' Joinder to Debtors' Response and Opposition to Motion to Enforce Automatic Stay* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 02/19/2019)
02/20/2019	1585 (1 pg)	Notice RE: BK Record Complete, Briefing Schedule - Re: Appeal 2:18-cv-10675-RGK (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A) filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Garcia, Elaine L.) (Entered: 02/20/2019)

02/20/2019	1586 (7 pgs)	Amended Certificate of Readiness of Record on Appeal to District Court - Case Number: 2:18-cv-10675-RGK. (RE: related document(s)932 Notice of Appeal and Statement of Election (Official Form 417A) filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.) (Milano, Sonny) (Entered: 02/20/2019)
02/20/2019	1587	Hearing Held 1153 Cure objections . Hearing continued. Stipulation to follow. Party to lodge order: Movant. (Lomeli, Lydia R.) (Entered: 02/20/2019)
02/20/2019	1588 (2 pgs)	Order Approving Fourth Stipulation Continuing Hearing Regarding Payor Cure Objections [Related Docket No. 1153]. Continued to February 27, 2019, at 10:00 a.m. (Pacific Time). (BNC-PDF) (Related Doc # 1571) Signed on 2/20/2019 (Lomeli, Lydia R.) (Entered: 02/20/2019)
02/20/2019	1589 (5 pgs)	Motion to Continue Hearing On (related documents 1485 Application (Generic)) *Motion To Enforce Automatic Stay [1485,1514]; Declaration Of Samuel R. Maizel* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 02/20/2019)
02/20/2019	1590 (2 pgs)	Notice of Change of Address *or Law Firm Name*. (Behrens, James) (Entered: 02/20/2019)
02/20/2019	1591 (28 pgs)	Motion to Approve Compromise Under Rule 9019 *Debtors' Notice and Motion for Approval of Compromise with Medline Industries, Inc. Pursuant to Federal Rule of Bankruptcy Procedure 9019; Declarations of Richard G. Adcock and Peter C. Chadwick In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/20/2019)
02/20/2019	1592 (4 pgs)	Notice *of Sale Procedures, Auction Date, and Sale Hearing [Related Docket No. 1279]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1279 Motion *and Notice of Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice To Be Provided To Interested Parties; (4) Scheduling A Court Hearing To Consider Approval of The Sale To The Highest Bidder; and (5) Approving Procedures Related To The Assumption of Certain Executory Contracts and Unexpired Leases; and (II) An Order (A) Authorizing The Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Memorandum of Points and Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc.). (Maizel, Samuel) (Entered: 02/20/2019)
02/21/2019	1593	Hearing Set (RE: related document(s)1591 Motion to Approve Compromise Under Rule 9019 filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 3/13/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 02/21/2019)
02/21/2019	1594 (33 pgs)	Application for Compensation *[Levene, Neale, Bender, Yoo & Brills Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period January 1, 2019 Through January 31, 2019 (POS Attached)]-*. Filed by Attorney Levene, Neale, Bender, Yoo & Brill L.L.P. (Bender, Ron) (Entered: 02/21/2019)
02/21/2019	1595 (34 pgs)	Application for Compensation *[Patient Care Ombudsmans Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period January 1, 2019 Through January 31, 2019 For Himself And For Dr. Tim Stacy Dnp, Acnp-Bc (POS Attached)]-* for Jacob Nathan Rubin, Ombudsman Health, Period: 1/1/2019 to 1/31/2019,

		Fee: $23,144.00, Expenses: $0.00. Filed by Health Care Ombudsman Jacob Nathan Rubin (Bender, Ron) (Entered: 02/21/2019)
02/21/2019	1596 (83 pgs)	Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 1/1/2019 to 1/31/2019, Fee: $225,016.56, Expenses: $1,667.31. Filed by Attorney Rosa A Shirley (Shirley, Rosa) (Entered: 02/21/2019)
02/21/2019	1597 (17 pgs)	Proof of service Filed by Special Counsel Nelson Hardiman LLP (RE: related document(s)1596 Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 1/1/2019 to 1/31/2019, Fee: $225,016.56, Expenses: $1,667.31.). (Shirley, Rosa) (Entered: 02/21/2019)
02/21/2019	1598 (1 pg)	Notice re: Bankruptcy Record Complete filed in the USDC on 2/21/19(RE: related document(s)932 Notice of Appeal and Statement of Election to Bankruptcy Appellate Panel.(Official Form 417A) 2:18-cv-10675-RGK (Originally filed at District Court 12/27/2018). 1586 Amended Certificate of Readiness of Record on Appeal to District Court - Case Number: 2:18-cv-10675-RGK. (Garcia, Elaine L.) (Entered: 02/21/2019)
02/21/2019	1599 (43 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1572 Order on Generic Motion (BNC-PDF)) No. of Notices: 4. Notice Date 02/21/2019. (Admin.) (Entered: 02/21/2019)
02/21/2019	1600 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1574 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/21/2019. (Admin.) (Entered: 02/21/2019)
02/21/2019	1601 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1575 Order on Generic Motion (BNC-PDF)) No. of Notices: 4. Notice Date 02/21/2019. (Admin.) (Entered: 02/21/2019)
02/21/2019	1602 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1576 Order on Generic Motion (BNC-PDF)) No. of Notices: 4. Notice Date 02/21/2019. (Admin.) (Entered: 02/21/2019)
02/21/2019	1603 (12 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1577 Order on Generic Motion (BNC-PDF)) No. of Notices: 4. Notice Date 02/21/2019. (Admin.) (Entered: 02/21/2019)
02/21/2019	1604 (12 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1578 Order on Generic Motion (BNC-PDF)) No. of Notices: 4. Notice Date 02/21/2019. (Admin.) (Entered: 02/21/2019)
02/21/2019	1605 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1579 Order on Motion to Extend Time (Generic) (BNC-PDF)) No. of Notices: 4. Notice Date 02/21/2019. (Admin.) (Entered: 02/21/2019)
02/21/2019	1606 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1580 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/21/2019. (Admin.) (Entered: 02/21/2019)
02/21/2019	1607 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1581 ORDER on application of non-resident attorney to appear in a specific case per Local Bankruptcy rule (BNC-PDF)) No. of Notices: 4. Notice Date 02/21/2019. (Admin.) (Entered: 02/21/2019)
02/22/2019	1608 (21 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1550, 1551 and 1552* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1550 Stipulation By

		Verity Health System of California, Inc. and *Aetna Life Insurance Company to Modify the Automatic Stay for the Limited Purpose of Sending Notice and Deadline to Object*, 1551 Motion *Notice of Motion and Motion to Approve Stipulation with Aetna Life Insurance Company*, 1552 Notice of Hearing). (Moyron, Tania) (Entered: 02/22/2019)
02/22/2019	1609 (22 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1555, 1556, 1562 and 1563* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1555 Notice of Lodgment, 1556 Notice, 1562 Notice of Lodgment, 1563 Notice of Lodgment). (Moyron, Tania) (Entered: 02/22/2019)
02/22/2019	1610 (80 pgs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: David Pullman v St. Vincent Medical Center BC597684 . Fee Amount $181, Filed by Creditor David Pullman (Lomeli, Lydia R.) (Entered: 02/22/2019)
02/22/2019	1611 (26 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1564, 1571, 1575, 1576, 1577, 1578, 1579, 1580 and 1582* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1564 Stipulation By Verity Health System of California, Inc. and *California Department of Health Care Services and U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services - Fourth Stipulation Continuing Hearing Rega, 1571 Stipulation By Verity Health System of California, Inc. and Cigna HealthCare of California, Inc. and Life Insurance Company of North America, and California Physicians' Service dba Blue Shield of California, and Aetna Life Insurance Company,, 1575 Order on Generic Motion (BNC-PDF), 1576 Order on Generic Motion (BNC-PDF), 1577 Order on Generic Motion (BNC-PDF), 1578 Order on Generic Motion (BNC-PDF), 1579 Order on Motion to Extend Time (Generic) (BNC-PDF), 1580 Stipulation and ORDER thereon (BNC-PDF)). (Moyron, Tania) (Entered: 02/22/2019)*
02/22/2019	1612	Hearing Set (RE: related document(s)1610 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor David Pullman) The Hearing date is set for 3/18/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 02/22/2019)
02/22/2019	1613 (26 pgs)	Certificate of Service *Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 1583, 1588, 1589 and 1591* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1588 Stipulation and ORDER thereon (BNC-PDF), 1589 Motion to Continue Hearing On (related documents 1485 Application (Generic)) *Motion To Enforce Automatic Stay [1485,1514]; Declaration Of Samuel R. Maizel*, 1591 Motion to Approve Compromise Under Rule 9019 *Debtors' Notice and Motion for Approval of Compromise with Medline Industries, Inc. Pursuant to Federal Rule of Bankruptcy Procedure 9019; Declarations of Richard G. Adcock and Peter C. Chadwick In Su). (Moyron, Tania) (Entered: 02/22/2019)*
02/22/2019	1614 (52 pgs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM. Fee Amount $181, Filed by Interested Parties Lindsey Chow , Susan Chan Chow (Evangelista, Maria) (Entered: 02/22/2019)
02/22/2019	1615	Hearing Set (RE: related document(s)1614 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Interested Party Susan Chan Chow, Interested Party Lindsey Chow) The Hearing date is set for 4/1/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Evangelista, Maria) (Entered: 02/22/2019)

02/22/2019	1616 (5 pgs)	Stipulation By Verity Health System of California, Inc. and *California Department of Health Care Services and U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services Continuing Deadline To File Supplemental Objection Regarding Transfer Of Medi-Cal Provider Agreements and Medicare Provider Agreements To Santa Clara County [Related Docket No. 1153]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/22/2019)
02/22/2019		Receipt of Motion Filing Fee - $181.00 by 19. Receipt Number 20233037. (admin) (Entered: 02/22/2019)
02/22/2019		Receipt of Motion Filing Fee - $181.00 by 71. Receipt Number 20233048. (admin) (Entered: 02/22/2019)
02/22/2019	1617 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1588 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/22/2019. (Admin.) (Entered: 02/22/2019)
02/25/2019	1618 (30 pgs)	Application for Compensation *Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* for Pachulski Stang Ziehl & Jones LLP, Debtor's Attorney, Period: 1/1/2019 to 1/31/2019, Fee: $72,430.62, Expenses: $1709.19. Filed by Attorney Pachulski Stang Ziehl & Jones LLP (Cho, Shirley) (Entered: 02/25/2019)
02/25/2019	1619 (12 pgs)	Declaration re: *Fourth Supplemental Declaration of Henry C. Kevane* Filed by Attorney Pachulski Stang Ziehl & Jones LLP (RE: related document(s)421 Application to Employ Pachulski Stang Ziehl & Jones LLP as Co-Counsel for the Debtors). (Cho, Shirley) (Entered: 02/25/2019)
02/25/2019	1620	Hearing Set (RE: related document(s)1614 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Interested Party Susan Chan Chow, Interested Party Lindsey Chow) The Hearing date is set for 4/1/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) WARNING: Duplicate of entry 1615 . Modified on 2/25/2019 (Lomeli, Lydia R.). (Entered: 02/25/2019)
02/25/2019	1621 (33 pgs)	Objection (related document(s): 365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, filed by Debtor Verity Health System of California, Inc.) Objection of the United States, on Behalf of the U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services to Debtors' Motion for the Entry of an Order Authorizing the Sale of Its Medicare Provider Agreements and Numbers Free and Clear of All Claims, Liens and Encumbrances Filed by Creditor United States Department of Health and Human Services (Shapiro, Seth) (Entered: 02/25/2019)*
02/25/2019	1622 (3 pgs)	Order Granting Debtors' Notice Of Motion And Motion To Reject, Pursuant To 11 U.S.C. § 365(A), Professional Services Agreement With All Care Medical Group, Inc. And Related Executory Contracts And Unexpired Lease [Related Docket Nos. 399, 576] (BNC-PDF) (Related Doc # 399) Signed on 2/25/2019 (Lomeli, Lydia R.) (Entered: 02/25/2019)
02/25/2019	1623 (2 pgs)	Order Approving Fourth Stipulation Continuing Deadline To File Supplemental Objection Regarding Transfer Of Medi-Cal Provider Agreements And Medicare Provider Agreements To Santa Clara County [Related Docket

		No. 1153] (BNC-PDF) (Related Doc # 1616) Signed on 2/25/2019 (Lomeli, Lydia R.) (Entered: 02/25/2019)
02/25/2019	1624 (2 pgs)	Status report */Joint Request Regarding Tentative Ruling Re Objection of The United States Regarding Debtors Motion For Entry of an Order Authorizing The Sale of Its Medicare Provider Agreements and Numbers Free and Clear of All Claims, Liens And Encumbrances* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use,, 1621 Objection). (Moyron, Tania) (Entered: 02/25/2019)*
02/26/2019	1625 (2 pgs)	Notice */Second Supplement of Resolved and Unresolved Cure Objections Relating To Executory Contracts and Unexpired Leases Designated By Santa Clara County For Assumption and Assignment* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1290 Notice *of Resolved and Unresolved Cure Objections Relating to Executory Contracts and Unexpired Leases Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 1106, 1110, 1145, 1153]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1106 Notice *of Contracts Designated by Santa Clara County For Assumption and Assignment* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 724 Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; The Sale Hearing shall be held on December 19, 2018 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012 (BNC-PDF) (Related Doc 365) Signed on 10/31/2018, 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc.., 1087 Notice *Related to Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 365, 724, 1041]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking*

Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A), 724 Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; The Sale Hearing shall be held on December 19, 2018 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012 (BNC-PDF) (Related Doc 365) Signed on 10/31/2018, 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc..).)., 1110 Notice *Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 365, 724, 1041, 1087, 1106]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A))., 1145 Notice *of Filing Listing Objections To Proposed Cure Amounts and Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Re: Order (A) Authorizing The Sale of Certain of The Debtors Assets To Santa Clara County Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) Approving The Assumption and Assignment of an Unexpired Lease Related Thereto; and (C) Granting Related Relief* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances;*

		Memorandum Of Points And Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A) filed by Debtor Verity Health System of California, Inc., 1041 Memorandum of points and authorities *Debtors' Memorandum in Support of Entry of Order (1) Approving Sale of Certain Assets to Santa Clara County Free and Clear of All Encumbrances; (2) Approving Debtors' Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and Determining Cure Amounts and Approving Debtors' Rejection of Those Unexpired Leases and Executory Contracts Which Are Not Assumed and Assigned; (3) Waiving the 14-Day Stay Periods Set Forth in Bankruptcy Rules 6004(H) and 6006(D); and (4) Granting Related Relief; Declaration of James Moloney In Support Thereof* Filed by Debtor Verity Health System of California, Inc.. filed by Debtor Verity Health System of California, Inc.)., 1153 Order (A) Authorizing The Sale Of Certain Of The Debtors' Assets To Santa Clara County Free And Clear Of Liens, Claims, Encumbrances, And Other Interests; (B) Approving The Assumption And Assignment Of An Unexpired Lease Related Thereto; And (C) Granting Related Relief. The following hearings shall be held on January 30, 2019, at 10:00 a.m. (Pacific Time): (1) Hearing re: issues pertaining to the transfer and/or assumption of Medi-Cal and Medicare Provider Agreements, if necessary; (2) Hearing re: rejection and/or modification of collective bargaining agreements; and (3) Continued hearing re: Cure Objections. If necessary, a hearing on objections filed in connection with the Subsequently Identified Designated Contracts shall be held on February 13, 2018, at 10:00 a.m. (Pacific Time). (BNC-PDF) (Related Doc 365) Signed on 12/27/2018 (Lomeli, Lydia R.))., 1456 Supplemental *Supplement to Notice of Resolved and Unresolved Cure Objections Relating to Executory Contracts and Unexpired Leases Designated by Santa Clara County for Assumption and Assignment [Related Dkt. No. 1290]* Filed by Debtor Verity Health System of California, Inc..). (Maizel, Samuel) (Entered: 02/26/2019)
02/26/2019	1626 (3 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing, LLC Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 02/26/2019)
02/26/2019	1627 (3 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing II, LLC Extending Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 02/26/2019)
02/26/2019	1628 (48 pgs; 2 docs)	Memorandum of points and authorities *REGARDING NON-CORE DESIGNATION* Filed by Creditor Local Initiative Health Authority for Los Angeles County, operating and doing business as L.A. Care Health Plan. (Attachments: # 1 Appendix APPENDIX OF UNPUBLISHED CASES IN SUPPORT OF MEMORANDUM OF POINTS AND AUTHORITIES REGARDING NON-CORE DESIGNATION) (Dutra, Anthony) (Entered: 02/26/2019)
02/26/2019	1629 (53 pgs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Susan Chan Chow, et al. v. Ma Leyba, et al. (St. Vincent) BC648838 . Fee Amount $181, Filed by Creditors Lindsey Chow , Susan Chan Chow (Lomeli, Lydia R.) (Entered: 02/26/2019)
02/26/2019	1630	Hearing Set (RE: related document(s)1629 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Susan Chan Chow, Interested Party Susan Chan Chow, Creditor Lindsey Chow, Interested Party Lindsey Chow) The Hearing date is set for 4/1/2019 at 10:00 AM at

		Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 02/26/2019)
02/26/2019	1631 (62 pgs)	Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3)) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1363 Application *Of Official Committee of Unsecured Creditors Under 11 U.S.C.§ 1103 and Fed. R. Bankr. P. 2014 and 5002, for Order Authorizing Retention and Employment of Arent Fox LLP as Special Counsel*). (Behrens, James) (Entered: 02/26/2019)
02/26/2019	1632 (13 pgs)	Stipulation By Verity Health System of California, Inc. and *Settlement Agreement Resolving Objection Filed by The California Department of Health Care Services Re Debtors Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders To Use [Relates To Docket Nos. 365, 906]* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) WARNING: See entry 1650 for corrective action. Attorney to lodge order via LOU. Modified on 2/27/2019 (Lomeli, Lydia R.). (Entered: 02/26/2019)
02/26/2019	1633 (6 pgs)	Stipulation By Verity Health System of California, Inc. and *Cigna Healthcare of California, Inc. Regarding Cure Objection [Related Docket No. 905]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/26/2019)
02/26/2019	1634 (7 pgs)	Stipulation By Verity Health System of California, Inc. and *Unitedhealthcare Insurance Company Regarding Cure Objection [Related Docket Nos. 1062, 1292]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/26/2019)
02/26/2019	1635 (40 pgs)	Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement By And Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certain Contracts and Leases; Declaration of Richard G. Adcock In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/26/2019)
02/26/2019	1636 (99 pgs)	Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumption and Assignment of Certain Contracts and Leases To Silicon Valley Medical Development, LLC, and (III) Rejection of Certain Leases; Declaration of Richard G. Adcock In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/26/2019)
02/26/2019	1637 (7 pgs)	Stipulation By Verity Health System of California, Inc. and *Kaiser Foundation Hospitals Regarding Cure Objection [Related Docket Nos. 1173]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/26/2019)
02/26/2019	1638 (9 pgs)	Notice */Third Supplement To Amended Notice of Contracts Designated By Santa Clara County For Assumption And Assignment* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1110 Notice *Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 365, 724, 1041, 1087, 1106]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking*

		Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A))., 1394 Supplemental *Supplement to Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. No. 1110]* Filed by Debtor Verity Health System of California, Inc.., 1421 Supplemental *Second Supplement to Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 1110, 1394]* Filed by Debtor Verity Health System of California, Inc..). (Moyron, Tania) (Entered: 02/26/2019)
02/27/2019	1639 (7 pgs)	Withdrawal re: *Motion to Enforce Automatic Stay* Filed by Interested Party Medical Staff of Seton Medical Center (RE: related document(s)1514 Notice of motion/application). (St James, Michael) (Entered: 02/27/2019)
02/27/2019	1640 (9 pgs)	Proof of service Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1626 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing, LLC Extending Challenge Deadline*, 1627 Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *Verity MOB Financing II, LLC Extending Challenge Deadline*). (Behrens, James) (Entered: 02/27/2019)
02/27/2019	1641 (12 pgs)	Stipulation By Verity Health System of California, Inc. and *United States Department of Health and Human Services Resolving Objection Re: Assumption and Assignment of Medicare Provider Agreement [Related To Docket Nos. 365 & 466]* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) WARNING: See entry 1653 for corrective action. Attorney to lodge order via LOU. Modified on 2/27/2019 (Lomeli, Lydia R.). (Entered: 02/27/2019)
02/27/2019	1642 (13 pgs)	Proof of service *re Declaration That No Party Requested A Hearing On Motion* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1631 Declaration That No Party Requested a Hearing on Motion (LBR 9013-1(o)(3))). (Behrens, James) (Entered: 02/27/2019)
02/27/2019	1643	Hearing Held re 1153 Issues pertaining to the transfer and/or assumption ofMedicare Provider Agreements - Matter resolved by stipulation. (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1644	Hearing Held re 1153 Issues pertaining to the transfer and/or assumption of Medi-Cal Provider Agreements - Matter resolved by stipulation. (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1645	Hearing Held re 1153 Cure objections - All calendared objections have been resolved by stipulations which will be lodged. (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1646 (2 pgs)	Order Vacating Hearing On Motion To Enforce Automatic Stay In View Of Withdrawal Of Motion. The Motion to Enforce the Automatic Stay [Doc. No. 1514] having been withdrawn, see Doc. No. 1639, the Court HEREBY ORDERS that the hearing on the Motion, set for March 4, 2019, at 10:00 a.m.,

		is VACATED. (BNC-PDF) (Related Doc # 1514) Signed on 2/27/2019 (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1647 (2 pgs)	Order Approving Stipulation By And Between The Debtors In Possession And Cigna Healthcare Of California, Inc. Regarding Cure Objection [Related Docket No. 905] (BNC-PDF) (Related Doc # 1633) Signed on 2/27/2019 (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1648 (2 pgs)	Order Approving Stipulation By And Among The Debtors In Possession And Unitedhealthcare Insurance Company Regarding Cure Objection [Related Docket Nos. 1062, 1292] (BNC-PDF) (Related Doc # 1634) Signed on 2/27/2019 (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1649 (2 pgs)	Order Approving Stipulation By And Among The Debtors In Possession And Kaiser Foundation Hospitals Regarding Cure Objection [Related Docket No. 1173] (BNC-PDF) (Related Doc # 1637) Signed on 2/27/2019 (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1650	Notice to Filer of Error and/or Deficient Document **Other -** WARNING: Attorney to lodge order via LOU. (RE: related document(s)1632 Stipulation filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1651	Hearing Set (RE: related document(s)1635 Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc. And Oncology Technology Associates, Llc And (Ii) Assumption And Assignment Of Certain Contracts And Leases; filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 3/19/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1652	Hearing Set (RE: related document(s)1636 Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc., Silicon Valley Medical Development, Llc And San Jose Medical Group, (Ii) Assumption And Assignment Of Certain Contracts And Leases To Silicon Valley Medical Development, Llc, And (Iii) Rejection Of Certain Leases; filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 3/19/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1653	Notice to Filer of Error and/or Deficient Document **Other -** WARNING: Attorney to lodge order via LOU. (RE: related document(s)1641 Stipulation filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 02/27/2019)
02/27/2019	1654 (8 pgs)	Stipulation By Verity Health System of California, Inc. and *California Physicians' Service dba Blue Shield of California; Stipulation By and Among the Debtors In Possession and California Physicians' Service DBA Blue Shield of California Regarding Cure Objection [Related Docket Nos. 920, 1121]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 02/27/2019)
02/27/2019	1655 (18 pgs)	Stipulation By Verity Health System of California, Inc. and *Aetna Life Insurance Company regarding Preservation of Right to Recoup or Offset Amounts Owing to Aetna Life Insurance Company* Filed by Debtor Verity Health System of California, Inc. (Cho, Shirley) (Entered: 02/27/2019)
02/27/2019	1656	Original signature page Declaration of Richard G. Adcock In Support of

	(2 pgs)	Debtors' Notice and Motion to Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumption and Assignment of Certain Contracts and Leases to Silicon Valley Medical Development, LLC and (III) Rejection of Certain Leases [Relates to Dkt. No. 1636] *Submission of Signature Page of Declaration of Richard G. Adcock In Support of Debtors' Notice and Motion to Approve (I) Settlement and Asset Purchase Agreement By and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumption and Assignment of Certain Contracts and Leases to Silicon Valley Medical Development, LLC, and (III) Rejection of Certain Leases [Relates to Dkt. No. 1636]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 02/27/2019)
02/27/2019	1657 (2 pgs)	Original signature page Declaration of Richard G. Adcock in Support of Debtors' Notice and Motion to Approve (I) Settlement and Asset Purchase Agreement By and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certain Contracts and Leases [Relates to Dkt. No. 1635] *Submission of Signature Page of Declaration of Richard G. Adcock in Support of Debtors' Notice and Motion to Approve (I) Settlement and Asset Purchase Agreement By and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certain Contracts and Leases [Relates to Dkt. No. 1635]* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 02/27/2019)
02/27/2019	1658 (8 pgs)	Notice of Appearance and Request for Notice by Keith C Owens Filed by Creditor Messiahic Inc., a California corporation d/b/a PayJunction. (Owens, Keith) (Entered: 02/27/2019)
02/27/2019	1659 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1622 Order on Motion to Reject Lease or Executory Contract (BNC-PDF)) No. of Notices: 4. Notice Date 02/27/2019. (Admin.) (Entered: 02/27/2019)
02/27/2019	1660 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1623 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 02/27/2019. (Admin.) (Entered: 02/27/2019)
02/28/2019	1661 (4 pgs)	Notice */Fourth Supplement To Amended Contracts Designated by Santa Clara County For Assumption and Assignment* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1110 Notice *Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 365, 724, 1041, 1087, 1106]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A))., 1394 Supplemental *Supplement to Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. No. 1110]* Filed by Debtor Verity Health System of California, Inc.., 1421 Supplemental *Second Supplement to*

		Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 1110, 1394] Filed by Debtor Verity Health System of California, Inc.., 1638 Notice */Third Supplement To Amended Notice of Contracts Designated By Santa Clara County For Assumption And Assignment* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1110 Notice *Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 365, 724, 1041, 1087, 1106]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A))., 1394 Supplemental *Supplement to Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. No. 1110]* Filed by Debtor Verity Health System of California, Inc.., 1421 Supplemental *Second Supplement to Amended Notice of Contracts Designated by Santa Clara County for Assumption and Assignment [Related Dkt. Nos. 1110, 1394]* Filed by Debtor Verity Health System of California, Inc..).). (Moyron, Tania) (Entered: 02/28/2019)
02/28/2019	1662 (12 pgs)	Stipulation By Verity Health System of California, Inc. and *the United States Department of Justice on Behalf of the United States Department of Health and Human Services and its Agency, the Centers for Medicare and Medicaid Services; Stipulation Re: Assumption And Assignment Of Medicare Provider Agreements [Related to Docket No. 466]* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 02/28/2019)
02/28/2019	1663 (14 pgs)	Stipulation By Verity Health System of California, Inc. and *the California Department of Health Care Services; Revised And Executed Stipulation And Settlement Agreement Resolving Objection Filed By The California Department Of Health Care Services Re Debtors Motion For The Entry Of (I) An Order (I) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use [Related Docket Nos. 365, 906* Filed by Debtor Verity Health System of California, Inc. (Maizel, Samuel) (Entered: 02/28/2019)
02/28/2019	1664 (2 pgs)	Order Approving Cure Stipulation With Aetna Life Insurance Company (BNC-PDF) (Related Doc # 1655) Signed on 2/28/2019 (Lomeli, Lydia R.) (Entered: 02/28/2019)
02/28/2019	1665 (3 pgs)	Order Approving Stipulation Between Verity Mob Financing, LLC And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1626) Signed on 2/28/2019 (Lomeli, Lydia R.) (Entered: 02/28/2019)
02/28/2019	1666 (2 pgs)	Order Approving Revised And Executed Stipulation And Settlement Agreement Resolving Objection Filed By The California Department Of Health Care Services Re Debtors? Motion For The Entry Of (I) An Order (I) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use. [Related Docket Nos. 365, 906] (BNC-PDF) (Related Doc # 1663) Signed on 2/28/2019 (Lomeli, Lydia R.) (Entered: 02/28/2019)

02/28/2019	1667 (2 pgs)	Order Approving Stipulation Re: Assumption And Assignment Of Medicare Provider Agreements [Related Docket No. 466] (BNC-PDF) (Related Doc # 1662) Signed on 2/28/2019 (Lomeli, Lydia R.) (Entered: 02/28/2019)
02/28/2019	1668 (2 pgs)	Order Approving Stipulation By And Among The Debtors In Possession And California Physicians' Service Dba Blue Shield Of California Regarding Cure Objection [Related Docket Nos. 920, 1121] (BNC-PDF) (Related Doc # 1654) Signed on 2/28/2019 (Lomeli, Lydia R.) (Entered: 02/28/2019)
02/28/2019	1669 (3 pgs)	Order Approving Stipulation Between Verity Mob Financing II, LLC And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1627) Signed on 2/28/2019 (Lomeli, Lydia R.) (Entered: 02/28/2019)
02/28/2019	1670 (49 pgs)	Monthly Operating Report. Operating Report Number: 5. For the Month Ending January 31, 2019 Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 02/28/2019)
02/28/2019	1671 (10 pgs)	Response to (related document(s): 1551 Motion *Notice of Motion and Motion to Approve Stipulation with Aetna Life Insurance Company* filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 02/28/2019)
02/28/2019	1672 (94 pgs)	Opposition to (related document(s): 1550 Stipulation By Verity Health System of California, Inc. and *Aetna Life Insurance Company to Modify the Automatic Stay for the Limited Purpose of Sending Notice and Deadline to Object* filed by Debtor Verity Health System of California, Inc., 1551 Motion *Notice of Motion and Motion to Approve Stipulation with Aetna Life Insurance Company* filed by Debtor Verity Health System of California, Inc.) *Motion to Approve Stipulation for Relief From Automatic Stay with Aetna Life Insurance Company and Request for Hearing* Filed by Creditor Bay Area Surgical Management, LLC (Rome-Banks, Julie) WARNING: See entry 1674 for corrective action. Attorney to re-file as locked/flattened pdf. Modified on 3/1/2019 (Lomeli, Lydia R.). (Entered: 02/28/2019)
02/28/2019	1673 (20 pgs)	Notice of motion/application *and Motion To Reject, Pursuant To 11 U.S.C. § 365(A), Certain O'Connor Hospital and Saint Louise Regional Hospital Executory Contracts and Unexpired Leases; Memorandum of Points and Authorities; Declaration of Richard G. Adcock [Related Docket Nos. 365, 724, 810, 998, 1041, 1050, 1110, 1153, 1394, 1421, 1638, 1661]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)365 Motion For Sale of Property of the Estate under Section 363(b) - No Fee *Debtors Notice Of Motion And Motion For The Entry Of (I) An Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Attachments: # 1 Exhibit A)). (Moyron, Tania) WARNING: See entry 1675 for corrective action. Attorney to re-file using correct event code: 'Reject Lease or Executory Contract (motion) ' Modified on 3/1/2019 (Lomeli, Lydia R.). (Entered: 02/28/2019)
02/28/2019		Receipt of Certification Fee - $22.00 by 71. Receipt Number 20233157. (admin) (Entered: 02/28/2019)

03/01/2019	1674	Notice to Filer of Error and/or Deficient Document **Incorrect/incomplete/unreadable PDF was attached to the docket entry. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT WITH THE CORRECT PDF IMMEDIATELY.** WARNING: Attorney to re-file as locked/flattened pdf. (RE: related document(s)1672 Opposition filed by Creditor Bay Area Surgical Management, LLC) (Lomeli, Lydia R.) (Entered: 03/01/2019)
03/01/2019	1675	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT.** WARNING: Attorney to re-file using correct event code: 'Reject Lease or Executory Contract (motion) ' (RE: related document(s)1673 Notice of motion/application filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 03/01/2019)
03/01/2019	1676 (273 pgs; 3 docs)	Application for Compensation *Dentons US LLPs Fifth Professional Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period January 2019* for Samuel R Maizel, Debtor's Attorney, Period: 1/1/2019 to 1/31/2019, Fee: $942,976.73, Expenses: $13,507.86. Filed by Attorney Samuel R Maizel (Attachments: # 1 Exhibit A # 2 Exhibit B) (Maizel, Samuel) (Entered: 03/01/2019)
03/01/2019	1677 (32 pgs)	Application *FTI Consulting, Inc.'s Fifth Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of January 1, 2019 - January 31, 2019* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 03/01/2019)
03/01/2019	1678 (4 pgs)	Notice *of Fifth Monthly Fee Applications of Professionals Paid By the Debtors for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1594 Application for Compensation *[Levene, Neale, Bender, Yoo & Brills Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period January 1, 2019 Through January 31, 2019 (POS Attached)]-*. Filed by Attorney Levene, Neale, Bender, Yoo & Brill L.L.P., 1595 Application for Compensation *[Patient Care Ombudsmans Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period January 1, 2019 Through January 31, 2019 For Himself And For Dr. Tim Stacy Dnp, Acnp-Bc (POS Attached)]-* for Jacob Nathan Rubin, Ombudsman Health, Period: 1/1/2019 to 1/31/2019, Fee: $23,144.00, Expenses: $0.00. Filed by Health Care Ombudsman Jacob Nathan Rubin, 1596 Application for Compensation for Nelson Hardiman LLP, Special Counsel, Period: 1/1/2019 to 1/31/2019, Fee: $225,016.56, Expenses: $1,667.31. Filed by Attorney Rosa A Shirley, 1618 Application for Compensation *Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* for Pachulski Stang Ziehl & Jones LLP, Debtor's Attorney, Period: 1/1/2019 to 1/31/2019, Fee: $72,430.62, Expenses: $1709.19. Filed by Attorney Pachulski Stang Ziehl & Jones LLP, 1676 Application for Compensation *Dentons US LLPs Fifth Professional Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period January 2019* for Samuel R Maizel, Debtor's Attorney, Period: 1/1/2019 to 1/31/2019, Fee: $942,976.73, Expenses: $13,507.86. Filed by Attorney Samuel R Maizel (Attachments: # 1 Exhibit A # 2 Exhibit B), 1677 Application *FTI Consulting, Inc.'s Fifth Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of January 1, 2019 - January 31, 2019* Filed by Creditor Committee Official Committee of Unsecured Creditors

		of Verity Health System of California, Inc., et al.). (Maizel, Samuel) (Entered: 03/01/2019)
03/01/2019	1679 (76 pgs)	Application *Milbank LLP's Fifth Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of January 1, 2019 - January 31, 2019* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 03/01/2019)
03/01/2019	1680 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1646 Order (Generic) (BNC-PDF)) No. of Notices: 4. Notice Date 03/01/2019. (Admin.) (Entered: 03/01/2019)
03/01/2019	1681 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1647 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/01/2019. (Admin.) (Entered: 03/01/2019)
03/01/2019	1682 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1648 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/01/2019. (Admin.) (Entered: 03/01/2019)
03/01/2019	1683 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1649 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/01/2019. (Admin.) (Entered: 03/01/2019)
03/02/2019	1684 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1664 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/02/2019. (Admin.) (Entered: 03/02/2019)
03/02/2019	1685 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1665 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/02/2019. (Admin.) (Entered: 03/02/2019)
03/02/2019	1686 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1666 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/02/2019. (Admin.) (Entered: 03/02/2019)
03/02/2019	1687 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1667 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/02/2019. (Admin.) (Entered: 03/02/2019)
03/02/2019	1688 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1668 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/02/2019. (Admin.) (Entered: 03/02/2019)
03/02/2019	1689 (10 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1669 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/02/2019. (Admin.) (Entered: 03/02/2019)
03/04/2019	1690 (94 pgs)	Opposition to (related document(s): 1550 Stipulation By Verity Health System of California, Inc. and *Aetna Life Insurance Company to Modify the Automatic Stay for the Limited Purpose of Sending Notice and Deadline to Object* filed by Debtor Verity Health System of California, Inc., 1551 Motion *Notice of Motion and Motion to Approve Stipulation with Aetna Life Insurance Company* filed by Debtor Verity Health System of California, Inc., 1672 Opposition filed by Creditor Bay Area Surgical Management, LLC) *Motion to Approve Stipulation for Relief From Automatic Stay with Aetna Life Insurance Company and Request for Hearing* Filed by Creditor Bay Area Surgical Management, LLC (Rome-Banks, Julie) (Entered: 03/04/2019)

03/04/2019	1691 (7 pgs)	Notice of Hearing *on Motion to Approve Stipulation with Aetna Life Insurance Company* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1550 Stipulation By Verity Health System of California, Inc. and *Aetna Life Insurance Company to Modify the Automatic Stay for the Limited Purpose of Sending Notice and Deadline to Object* Filed by Debtor Verity Health System of California, Inc., 1551 Motion *Notice of Motion and Motion to Approve Stipulation with Aetna Life Insurance Company* Filed by Debtor Verity Health System of California, Inc.). (Cho, Shirley) (Entered: 03/04/2019)
03/04/2019	1692 (6 pgs)	Notice *of Appearance and Request for Special Notice of Medical Anesthesia Consultants Medical Group, Inc.* Filed by Creditor Medical Anesthesia Consultants Medical Group, Inc.. (Hogue, Michael) WARNING: See docket entry # 1698 for corrective action; Modified on 3/4/2019 (Evangelista, Maria). (Entered: 03/04/2019)
03/04/2019	1693 (4 pgs; 2 docs)	Transfer of Claim Transfer Agreement 3001 (e) 2 Transferor: Medical Staffing Solutions, Inc To CRG Financial LLC Fee Amount $25 To CRG Financial LLC100 Union AvenueCresskill, NJ 07626 Filed by Creditor CRG Financial LLC. (Axenrod, Allison) (Entered: 03/04/2019)
03/04/2019		Receipt of Transfer of Claim (Fee)(2:18-bk-20151-ER) [claims,trclm] (25.00) Filing Fee. Receipt number 48620451. Fee amount 25.00. (re: Doc# 1693) (U.S. Treasury) (Entered: 03/04/2019)
03/04/2019	1694 (7 pgs)	Response to (related document(s): 1530 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Myung Soo Han v. Verity Health System of California et al., BC647082. Fee Amount $181, filed by Creditor Myung Soo Han) *Debtors' Response to Motion for Relief from the Automatic Stay Filed on Behalf of Myung Soo Han* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 03/04/2019)
03/04/2019	1695 (12 pgs)	Stipulation By Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. and *UMB Bank, N.A. Regarding Challenge Deadline* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 03/04/2019)
03/04/2019	1696 (11 pgs)	Response to (related document(s): 1530 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Myung Soo Han v. Verity Health System of California et al., BC647082. Fee Amount $181, filed by Creditor Myung Soo Han) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 03/04/2019)
03/04/2019	1697 (10 pgs)	Response to (related document(s): 1591 Motion to Approve Compromise Under Rule 9019 *Debtors' Notice and Motion for Approval of Compromise with Medline Industries, Inc. Pursuant to Federal Rule of Bankruptcy Procedure 9019; Declarations of Richard G. Adcock and Peter C. Chadwick In Su filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 03/04/2019)*
03/04/2019	1698	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. Attorney to re-file using docket event code "Request for special notice" THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT.** (RE: related document(s)1692 Notice filed by Creditor Medical Anesthesia Consultants Medical Group, Inc.) (Evangelista, Maria) (Entered: 03/04/2019)

03/05/2019	1699 (25 pgs)	Response to (related document(s): 1636 Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumptio filed by Debtor Verity Health System of California, Inc.) Stanfords Reservation of Rights Re Proposed Assumption And Assignment Of Sublease Filed by Creditors Packard Children's Health Alliance, Stanford Blood Center, LLC, Stanford Health Care, Stanford Health Care Advantage, The Board of Trustees of the Leland Stanford Junior University, University Healthcare Alliance (Walker, Matthew) (Entered: 03/05/2019)*
03/05/2019	1700	Hearing Set (RE: related document(s)1550 Stipulation filed by Debtor Verity Health System of California, Inc., 1551 Generic Motion filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 3/18/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/05/2019)
03/05/2019	1701 (9 pgs)	Proof of service Filed by Interested Parties Lindsey Chow , Susan Chan Chow , Creditors Lindsey Chow , Susan Chan Chow (RE: related document(s)1614 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE:. Fee Amount $181,). (Lomeli, Lydia R.) (Entered: 03/05/2019)
03/05/2019	1702 (9 pgs)	Proof of service Filed by Interested Parties Lindsey Chow , Susan Chan Chow , Creditors Lindsey Chow , Susan Chan Chow (RE: related document(s)1629 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Susan Chan Chow, et al. v. Ma Leyba, et al. (St. Vincent) BC648838. Fee Amount $181,). (Lomeli, Lydia R.) (Entered: 03/05/2019)
03/05/2019	1703 (4 pgs)	Order Under 11 U.S.C. 1103 And Fed. R. Bankr. P. 2014 And 5002, Authorizing Retention And Employment Of Arent Fox Llp As Special Counsel To Official Committee Of Unsecured Creditors (BNC-PDF) (Related Doc # 1363) Signed on 3/5/2019 (Lomeli, Lydia R.) (Entered: 03/05/2019)
03/05/2019	1704 (83 pgs)	Notice *To Counterparties To Executory Contracts And Unexpired Leases Of The Debtors That May Be Assumed And Assigned* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1572 Order (1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders, (2) Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (Ii) An Order (A) Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances; Memorandum Of Points And Authorities In Support Thereof. Sale Hearing shall be held on April 17, 2019 at 10:00 a.m. (prevailing Pacific Time) before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012. (BNC-PDF) (Related Doc # 1279) Signed on 2/19/2019 (Lomeli, Lydia R.)). (Moe, John) (Entered: 03/05/2019)
03/05/2019	1705 (3 pgs)	Order Approving Sixth Stipulation Between UMB Bank, N.A. And The Official Committee Of Unsecured Creditors Extending Challenge Deadline (BNC-PDF) (Related Doc # 1695) Signed on 3/5/2019 (Lomeli, Lydia R.) (Entered: 03/05/2019)
03/05/2019	1706 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Health Net of California, Inc., Extending Deadline to Object To Debtors' Notice and Motion To Approve (I) Settlement and Asset Purchase Agreement by and between*

		Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certain Contracts and Leases [Related Dkt. No. 1635] Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/05/2019)
03/05/2019	1707 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Health Net of California, Inc. Extending Deadline To Object To Debtors' Notice and Motion To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumption and Assignment of Certain Contracts and Leases To Silicon Valley Medical Development, LLC, and (III) Rejection of Certain Leases [Related Dkt. No. 1636]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/05/2019)
03/05/2019	1708 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Mckesson Corporation and Affiliates Extending Deadline To Object To Debtors' Notice and Motion To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certain Contracts and Leases [Related Dkt. No. 1635]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/05/2019)
03/05/2019	1709 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Mckesson Corporation and Affiliates Extending Deadline To Object To Debtors' Notice and Motion To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumption and Assignment of Certain Contracts and Leases To Silicon Valley Medical Development, LLC, and (III) Rejection of Certain Leases [Related Dkt. No. 1636]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/05/2019)
03/05/2019	1710 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *The Official Committee of Unsecured Creditors Extending Deadline To Object To Debtors' Notice and Motion To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certain Contracts and Leases [Related Dkt. No. 1635]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/05/2019)
03/05/2019	1711 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *The Official Committee Of Unsecured Creditors Extending Deadline To Object To Debtors' Notice and Motion To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumption and Assignment of Certain Contracts and Leases To Silicon Valley Medical Development, LLC, and (III) Rejection of Certain Leases [Related Dkt. No. 1636]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/05/2019)
03/05/2019	1712 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *UnitedHealthcare Insurance Company Extending Deadline To Object To Debtors' Notice and Motion To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certain Contracts and Leases [Related Dkt. No. 1635]* Filed

		by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/05/2019)
03/05/2019	1713 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *UnitedHealthcare Insurance Company Extending Deadline To Object To Debtors' Notice and Motion To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumption and Assignment of Certain Contracts and Leases To Silicon Valley Medical Development, LLC, and (III) Rejection of Certain Leases [Related Dkt. No. 1636]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/05/2019)
03/05/2019	1714 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Cigna Healthcare of California, Inc., Extending Deadline To Object To Debtors' Notice and Motion To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certain Contracts and Leases [Related Dkt. No. 1635]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/05/2019)
03/05/2019	1715 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Cigna Healthcare of California, Inc., Extending Deadline To Object To Debtors' Notice and Motion To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumption and Assignment of Certain Contracts and Leases To Silicon Valley Medical Development, LLC, and (III) Rejection of Certain Leases [Related Dkt. No. 1636]* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/05/2019)
03/05/2019	1716 (13 pgs)	Stipulation By Alicia Berry and *Tania Moyron* Filed by Attorney Alicia Berry (Berry, Alicia) WARNING: See entry 1718 for corrective action. Attorney to lodge order via LOU. Modified on 3/6/2019 (Lomeli, Lydia R.). (Entered: 03/05/2019)
03/06/2019	1717 (3 pgs)	Notice *Supplement To The Notice Of Fifth Monthly Fee Applications Of Professionals Paid By The Debtors For Allowance And Payment Of Interim Compensation & Reimbursement Of Expenses* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1679 Application *Milbank LLP's Fifth Monthly Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period of January 1, 2019 - January 31, 2019* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.). (Maizel, Samuel) (Entered: 03/06/2019)
03/06/2019	1718	Notice to Filer of Error and/or Deficient Document **Other -** WARNING: Attorney to lodge order via LOU. (RE: related document(s)1716 Stipulation filed by Attorney Alicia Berry) (Lomeli, Lydia R.) (Entered: 03/06/2019)
03/06/2019	1719 (8 pgs)	BNC Certificate of Notice - Transfer of Claim (RE: related document(s)1693 Transfer of Claim (Fee) filed by Creditor CRG Financial LLC) No. of Notices: 1. Notice Date 03/06/2019. (Admin.) (Entered: 03/06/2019)
03/07/2019	1720 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Kuhner, Chris. (Kuhner, Chris) (Entered: 03/07/2019)
03/07/2019	1721 (6 pgs; 2 docs)	Notice *and Request for Removal of Email and United States Mail Notifications* Filed by Creditor OCH Forest 1, General Partner of O'Connor Health Center 1, a

		limited partnership (RE: related document(s)1720 Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Kuhner, Chris.). (Attachments: # 1 Proof of Service) (Kuhner, Chris) (Entered: 03/07/2019)
03/07/2019	1722 (4 pgs; 2 docs)	Transfer of Claim Transfer Agreement 3001 (e) 2 Transferor: Maintex Inc To CRG Financial LLC Fee Amount $25 To CRG Financial LLC Filed by Creditor CRG Financial LLC. (Axenrod, Allison) (Entered: 03/07/2019)
03/07/2019	1723 (2 pgs)	Order Approving Stipulation Extending Deadline For Health Net Of California, Inc. To Object To Debtors' Notice And Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc. And Oncology Technology Associates, LLC And (II) Assumption And Assignment Of Certain Contracts And Leases [Related Dkt. No. 1635] (BNC-PDF) (Related Doc # 1706) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019		Receipt of Transfer of Claim (Fee)(2:18-bk-20151-ER) [claims,trclm] (25.00) Filing Fee. Receipt number 48642948. Fee amount 25.00. (re: Doc# 1722) (U.S. Treasury) (Entered: 03/07/2019)
03/07/2019	1724 (2 pgs)	Order Approving Stipulation Extending Deadline For Health Net Of California, Inc. To Object To Debtors' Notice And Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC And San Jose Medical Group, (II) Assumption And Assignment Of Certain Contracts And Leases To Silicon Valley Medical Development, Llc, And (III) Rejection Of Certain Leases [Related Dkt. No. 1636] (BNC-PDF) (Related Doc # 1707) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019	1725 (2 pgs)	Order Approving Stipulation Extending Deadline For Mckesson Corporation To Object To Debtors' Notice And Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc. And Oncology Technology Associates, LLC And (II) Assumption And Assignment Of Certain Contracts And Leases [Related Dkt. No. 1635] (BNC-PDF) (Related Doc # 1708) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019	1726 (2 pgs)	Order Approving Stipulation Extending Deadline For Mckesson Corporation To Object To Debtors' Notice And Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC And San Jose Medical Group, (II) Assumption And Assignment Of Certain Contracts And Leases To Silicon Valley Medical Development, LLC, And (Iii) Rejection Of Certain Leases [Related Dkt. No. 1636] (BNC-PDF) (Related Doc # 1709) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019	1727 (2 pgs)	Order Approving Stipulation Extending Deadline For The Official Committee Of Unsecured Creditors To Object To Debtors' Notice And Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc. And Oncology Technology Associates, LLC And (II) Assumption And Assignment Of Certain Contracts And Leases [Related Dkt. No. 1635] (BNC-PDF) (Related Doc # 1710) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019	1728 (2 pgs)	Order Approving Stipulation Extending Deadline For The Official Committee Of Unsecured Creditors To Object To Debtors Notice And Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc., Silicon Valley Medical Development, LCc And San Jose Medical Group, (II)

		Assumption And Assignment Of Certain Contracts And Leases To Silicon Valley Medical Development, LLC, And (III) Rejection Of Certain Leases [Related Dkt. No. 1636] (BNC-PDF) (Related Doc # 1711) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019	1729 (18 pgs)	Motion to Reject Lease or Executory Contract *Debtors' Notice and Motion for Order Authorizing (I) Rejection of Lease of Real Property and Executory Contract for Personal Property and (II) Abandonment of Personal Property; Memorandum of Points and Authorities and Declaration of Richard G. Adcock in Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/07/2019)
03/07/2019	1730 (2 pgs)	Order Approving Stipulation With California Attorney General Re Deadline To File Objection And Reply [Related Dkt No. 1636]; (BNC-PDF) (Related Doc # 1716) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019	1731 (2 pgs)	Order Approving Stipulation Extending Deadline For Unitedhealthcare Insurance Company To Object To Debtors' Notice And Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc. And Oncology Technology Associates, LLC And (II) Assumption And Assignment Of Certain Contracts And Leases [Related Dkt. No. 1635 (BNC-PDF) (Related Doc # 1712) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019	1732 (2 pgs)	Order Approving Stipulation Extending Deadline For Unitedhealthcare Insurance Company To Object To Debtors' Notice And Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc., Silicon Valley Medical Development, Llc And San Jose Medical Group, (II) Assumption And Assignment Of Certain Contracts And Leases To Silicon Valley Medical Development, LLC, And (III) Rejection Of Certain Leases [Related Dkt. No. 1636] (BNC-PDF) (Related Doc # 1713) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019	1733 (2 pgs)	Order Approving Stipulation Extending Deadline For Cigna Healthcare Of California, Inc. To Object To Debtors' Notice And Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc. And Oncology Technology Associates, LLC And (II) Assumption And Assignment Of Certain Contracts And Leases [Related Dkt. No. 1635] (BNC-PDF) (Related Doc # 1714) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019	1734 (2 pgs)	Order Approving Stipulation Extending Deadline For Cigna Healthcare Of California, Inc. To Object To Debtors' Notice And Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity Medical Foundation And Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC And San Jose Medical Group, (II) Assumption And Assignment Of Certain Contracts And Leases To Silicon Valley Medical Development, LLC, And (Iii) Rejection Of Certain Leases [Related Dkt. No. 1636] (BNC-PDF) (Related Doc # 1715) Signed on 3/7/2019 (Lomeli, Lydia R.) (Entered: 03/07/2019)
03/07/2019		Receipt of Motion Filing Fee - $181.00 by 71. Receipt Number 20233281. (admin) (Entered: 03/07/2019)
03/07/2019	1735 (11 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1703 Order on Generic Application (BNC-PDF)) No. of Notices: 4. Notice Date 03/07/2019. (Admin.) (Entered: 03/07/2019)
03/07/2019	1736	BNC Certificate of Notice - PDF Document. (RE: related document(s)1705

	(10 pgs)	Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/07/2019. (Admin.) (Entered: 03/07/2019)
03/08/2019	1737 (1 pg)	Request for Removal from Courtesy Notice of Electronic Filing (NEF) Filed by Swanson, Ralph. (Swanson, Ralph) (Entered: 03/08/2019)
03/08/2019	1738	Hearing Set (RE: related document(s)1729 Motion to Reject Lease or Executory Contract filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 4/3/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/08/2019)
03/08/2019	1739 (13 pgs; 2 docs)	Notice of Appearance and Request for Notice by Jeff D Kahane Filed by Creditor The Chubb Companies. (Attachments: # 1 Proof of Service) (Kahane, Jeff) (Entered: 03/08/2019)
03/08/2019	1740 (18 pgs; 2 docs)	Notice *of Reservation of Rights of the Chubb Companies to the Debtors' Proposed Sale of Assets* Filed by Creditor The Chubb Companies. (Attachments: # 1 Proof of Service) (Kahane, Jeff) (Entered: 03/08/2019)
03/08/2019	1741 (11 pgs)	Objection (related document(s): 1635 Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement By And Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certa filed by Debtor Verity Health System of California, Inc.) Limited Objection to Motion to Approve (I) Settlement and Asset Purchase Agreement by and between Debtors Verity Medical Foundation and Verity Health Services of California, Inc., and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certain Contracts and Leases Filed by Creditor UnitedHealthcare Insurance Company (Montgomery, Susan) (Entered: 03/08/2019)*
03/08/2019	1742 (16 pgs)	Objection (related document(s): 1636 Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumptio filed by Debtor Verity Health System of California, Inc.) Limited Objection to Motion to Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumtion and Assignment of Certain Contracts and Leases to Silicon Valley Medical Development, LLC and (III) Rejection of Certain Leases Filed by Creditor UnitedHealthcare Insurance Company (Montgomery, Susan) (Entered: 03/08/2019)*
03/08/2019	1743 (8 pgs)	Response to (related document(s): 1635 Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement By And Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certa filed by Debtor Verity Health System of California, Inc.) Mckesson Specialty Care Distribution Corp.'s Reservation of Rights in Regards to (1) Debtors' Notice and Motion to Approve (I) Settlement and Asset Purchase Agreement By and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certain Contracts and Leases; and (2) Debtors' Notice and Motion to Approve (I) Settlement and Asset Purchase Agreement By and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumption and Assignment of Certain Contracts and Leases to Silicon Valley Medical Development, LLC, and (III)*

		Rejection of Certain Leases Filed by Creditor McKesson Corporation (Garfinkle, Jeffrey) (Entered: 03/08/2019)
03/08/2019	1744 (10 pgs)	Response to (related document(s): 1635 Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement By And Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Oncology Technology Associates, LLC and (II) Assumption and Assignment of Certa filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 03/08/2019)*
03/08/2019	1745 (10 pgs)	Response to (related document(s): 1636 Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumptio filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 03/08/2019)*
03/08/2019	1746 (22 pgs; 3 docs)	Opposition to (related document(s): 1636 Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumptio filed by Debtor Verity Health System of California, Inc.) (Limited Opposition) Filed by Creditor Health Net of California, Inc. (Attachments: # 1 Declaration of Shelley K. Hubner in Support of Limited Opposition # 2 Proof of Service) (Freeman, William) (Entered: 03/08/2019)*
03/08/2019	1747 (93 pgs)	Notice *of Amended Exhibits to Settlement and Asset Purchase Agreement By and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group [Related Dkt. No. 1636]* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1636 Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumption and Assignment of Certain Contracts and Leases To Silicon Valley Medical Development, LLC, and (III) Rejection of Certain Leases; Declaration of Richard G. Adcock In Support Thereof* Filed by Debtor Verity Health System of California, Inc.). (Moyron, Tania) (Entered: 03/08/2019)
03/08/2019	1748 (3 pgs)	Notice of Appearance and Request for Notice *for Service of Papers* by Anna Gumport Filed by Interested Party Medical Office Buildings of California, LLC. (Gumport, Anna) (Entered: 03/08/2019)
03/08/2019	1749 (4 pgs)	Objection (related document(s): 1636 Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumptio filed by Debtor Verity Health System of California, Inc.) LIMITED OBJECTION AND RESERVATION OF RIGHTS OF MEDICAL OFFICE BUILDINGS OF CALIFORNIA, LLC REGARDING DEBTORS NOTICE AND MOTION TO APPROVE (I) SETTLEMENT AND ASSET PURCHASE AGREEMENT BY AND BETWEEN DEBTORS VERITY MEDICAL FOUNDATION AND VERITY HEALTH SERVICES OF CALIFORNIA, INC., SILICON VALLEY MEDICAL DEVELOPMENT, LLC AND SAN JOSE MEDICAL GROUP, (II) ASSUMPTION AND ASSIGNMENT OF CERTAIN CONTRACTS AND LEASES TO SILICON VALLEY MEDICAL DEVELOPMENT, LLC, AND (III) REJECTION OF CERTAIN LEASES Filed by Interested Party Medical Office Buildings of California, LLC (Gumport, Anna) (Entered: 03/08/2019)*

03/08/2019	1750 (11 pgs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Self Insured with Marillac, file number 20177643066 . Fee Amount $181, Filed by Creditor Elisa O'Halloran (Lomeli, Lydia R.) (Entered: 03/08/2019)
03/08/2019	1751	Hearing Set (RE: related document(s)1750 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Elisa O'Halloran) The Hearing date is set for 4/15/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/08/2019)
03/08/2019	1752 (10 pgs)	Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: Self Insured with Marillac, file number 20177643066 . Fee Amount $181, Filed by Creditor Elisa O'Halloran (Lomeli, Lydia R.) (Entered: 03/08/2019)
03/08/2019	1753	Hearing Set (RE: related document(s)1752 Motion for Relief from Stay - ACTION IN NON-BANKRUPTCY FORUM filed by Creditor Elisa O'Halloran) The Hearing date is set for 4/15/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/08/2019)
03/09/2019	1754 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1723 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1755 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1724 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1756 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1725 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1757 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1726 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1758 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1727 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1759 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1728 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1760 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1730 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1761 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1731 Order (Generic) (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1762 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1732 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1763	BNC Certificate of Notice - PDF Document. (RE: related document(s)1733

	(9 pgs)	Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1764 (9 pgs)	BNC Certificate of Notice - PDF Document. (RE: related document(s)1734 Stipulation and ORDER thereon (BNC-PDF)) No. of Notices: 4. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/09/2019	1765 (8 pgs)	BNC Certificate of Notice - Transfer of Claim (RE: related document(s)1722 Transfer of Claim (Fee) filed by Creditor CRG Financial LLC) No. of Notices: 1. Notice Date 03/09/2019. (Admin.) (Entered: 03/09/2019)
03/11/2019	1766 (13 pgs)	Certificate of Service *(1) NOTICE OF APPEARANCE AND REQUEST FOR SERVICE OF PAPERS [Doc 1748]; and (2) LIMITED OBJECTION AND RESERVATION OF RIGHTS OF MEDICAL OFFICE BUILDINGS OF CALIFORNIA, LLC REGARDING DEBTORS NOTICE AND MOTION TO APPROVE (I) SETTLEMENT AND ASSET PURCHASE AGREEMENT BY AND BETWEEN DEBTORS VERITY MEDICAL FOUNDATION AND VERITY HEALTH SERVICES OF CALIFORNIA, INC., SILICON VALLEY MEDICAL DEVELOPMENT, LLC AND SAN JOSE MEDICAL GROUP, (II) ASSUMPTION AND ASSIGNMENT OF CERTAIN CONTRACTS AND LEASES TO SILICON VALLEY MEDICAL DEVELOPMENT, LLC, AND (III) REJECTION OF CERTAIN LEASES [Doc 1749]* Filed by Interested Party Medical Office Buildings of California, LLC (RE: related document(s)1749 Objection). (Gumport, Anna) (Entered: 03/11/2019)
03/11/2019	1767 (14 pgs)	Motion to Appear pro hac vice *of Dennis M. Twomey* Filed by Interested Party Medical Office Buildings of California, LLC (Gumport, Anna) (Entered: 03/11/2019)
03/11/2019	1768 (25 pgs)	Reply to (related document(s): 1550 Stipulation By Verity Health System of California, Inc. and *Aetna Life Insurance Company to Modify the Automatic Stay for the Limited Purpose of Sending Notice and Deadline to Object* filed by Debtor Verity Health System of California, Inc., 1672 Opposition filed by Creditor Bay Area Surgical Management, LLC, 1690 Opposition filed by Creditor Bay Area Surgical Management, LLC) *Reply to Notice of Opposition and Request for a Hearing re Stipulation Modifying the Automatic Stay* Filed by Debtor Verity Health System of California, Inc. (Cho, Shirley) (Entered: 03/11/2019)
03/11/2019	1769 (14 pgs)	Motion to Appear pro hac vice *of Matthew E. Linder* Filed by Interested Party Medical Office Buildings of California, LLC (Gumport, Anna) (Entered: 03/11/2019)
03/11/2019	1770 (41 pgs)	Motion to Approve Compromise Under Rule 9019 *Debtors' Notice and Motion to Approve (I) Settlement and Asset Purchase Agreement By and Between Debtors Verity Medical Foundation and Verity Health Services of California, Inc. and Sports Orthopedic and Rehabilitation Associates and (II) Assumption and Assignment of Certain Lease: Declaration of Richard G. Adcock in Support Thereof* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/11/2019)
03/11/2019	1771 (46 pgs)	Application shortening time *Application for Order Setting Hearing on Shortened Notice* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/11/2019)
03/12/2019	1772 (5 pgs)	Stipulation By Verity Health System of California, Inc. and *certain of its Affiliates and PBGC Permitting PBGC to File Consolidated Proofs of Claim Under a Single Case Number* Filed by Debtor Verity Health System of California, Inc. (Moyron, Tania) (Entered: 03/12/2019)

03/12/2019	1773 (2 pgs)	Order (1) Reassigning Motion To Approve Stipulation With Aetna Life Insurance Company To The Hon. Neil W. Bason And (2) Continuing Hearing On Motion From March 18, 2019 At 10:00 A.M. To March 26, 2019 At 2:00 P.M. (BNC-PDF) (Related Doc # 1691) Signed on 3/12/2019 (Lomeli, Lydia R.) (Entered: 03/12/2019)
03/12/2019	1774	Hearing Set (RE: related document(s)1550 Stipulation To Modify The Automatic Stay For The Limited Purpose Of Sending Notice And Deadline To Object filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 3/26/2019 at 02:00PM at Crtrm 1545, 255 E Temple St., Los Angeles, CA 90012. The hearing judge is Neil W. Bason (Lomeli, Lydia R.) (Entered: 03/12/2019)
03/12/2019	1775 (2 pgs)	Order Setting Hearing On Motion To Approve Settlement And Asset Purchase Agreement [Doc. No. 1770] For March 22, 2019, At 2:00 P.M. (BNC-PDF) Signed on 3/12/2019 (RE: related document(s)1770 Motion to Approve Compromise Under Rule 9019 filed by Debtor Verity Health System of California, Inc.). (Lomeli, Lydia R.) (Entered: 03/12/2019)
03/12/2019	1776	Hearing Set (RE: related document(s)1770 Motion to Approve Compromise Under Rule 9019 filed by Debtor Verity Health System of California, Inc.) The Hearing date is set for 3/22/2019 at 02:00 PM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/12/2019)
03/12/2019	1777 (4 pgs)	Notice of Appearance and Request for Notice *and Service of Papers* by Jeff D Kahane Filed by Interested Party The Chubb Companies. (Kahane, Jeff) (Entered: 03/12/2019)
03/12/2019	1778 (25 pgs; 2 docs)	Objection (related document(s): 1636 Motion */Notice To Approve (I) Settlement and Asset Purchase Agreement by and Between Debtors Verity Medical Foundation and Verity Health Services Of California, Inc., Silicon Valley Medical Development, LLC and San Jose Medical Group, (II) Assumptio filed by Debtor Verity Health System of California, Inc., 1747 Notice filed by Debtor Verity Health System of California, Inc.) Filed by Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America (Attachments: # 1 Proof of Service) (Rathbone, William) (Entered: 03/12/2019)*
03/12/2019	1779 (11 pgs)	Proof of service *for Notice of Appearance and Request for Notice and Service of Papers* Filed by Interested Party The Chubb Companies (RE: related document(s)1777 Notice of Appearance). (Kahane, Jeff) (Entered: 03/12/2019)
03/12/2019	1780 (2 pgs)	Order Granting Motion To Appear pro hac vice re Dennis M. Twomey (BNC-PDF) (Related Doc # 1767) Signed on 3/12/2019 (Lomeli, Lydia R.) (Entered: 03/12/2019)
03/12/2019	1781 (2 pgs)	Order Granting Motion To Appear pro hac vice re Matthew E. Linder (BNC-PDF) (Related Doc # 1769) Signed on 3/12/2019 (Lomeli, Lydia R.) (Entered: 03/12/2019)
03/12/2019	1782 (2 pgs)	Order Approving Stipulation Permitting PBGC To File Consolidated Proofs Of Claim Under A Single Case Number (BNC-PDF) (Related Doc # 1772) Signed on 3/12/2019 (Lomeli, Lydia R.) (Entered: 03/12/2019)
03/12/2019	1783 (120 pgs; 6 docs)	Application for Compensation *Berkeley Research Group, LLCs Fifth Monthly Fee Application For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses For The Period January 1, 2019 Through January 31, 2019* for Berkeley Research Group LLC, Financial Advisor,

		Period: 1/1/2019 to 1/31/2019, Fee: $1,110,306.00, Expenses: $79,204.01. Filed by Financial Advisor Berkeley Research Group LLC (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E) (Moyron, Tania) (Entered: 03/12/2019)
03/12/2019	1784 (7 pgs)	Proof of service Filed by Creditor David Pullman (RE: related document(s)1610 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: David Pullman v St. Vincent Medical Center BC597684. Fee Amount $181,). (Lomeli, Lydia R.) (Entered: 03/12/2019)
03/12/2019	1785 (6 pgs)	Declaration re: *Executed Supplemental Disclosure Declaration In Support Of The Expanded Services To Be Provided By Ordinary Course Professional Moss Adams Re Motion Authorizing The Debtors To Retain And Compensate Professionals Utilized By The Debtors In The Ordinary Course Of Business* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)693 Order on Generic Motion (BNC-PDF)). (Moe, John) (Entered: 03/12/2019)
03/12/2019	1786 (3 pgs)	Declaration re: *Declaration Of Peter Chadwick In Support Of Notice Of Customary Annual Rate Increase For Berkeley Research Group, LLC* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)493 Application to Employ Berkeley Research Group, LLC as Financial Advisor *Debtors Application For Entry Of An Order Authorizing Employment Of Berkeley Research Group, LLC As Financial Advisor To The Debtors Nunc Pro Tunc To The Petition Date; Declarati). (Moyron, Tania) (Entered: 03/12/2019)*
03/12/2019	1787 (3 pgs)	Stipulation By Verity Health System of California, Inc. and *Stipulation Between Debtor, St. Vincent Medical Center, And David Pullman, Granting David Pullman Relief From The Automatic Stay* Filed by Debtor Verity Health System of California, Inc. (Moe, John) (Entered: 03/12/2019)
03/13/2019	1788 (28 pgs; 2 docs)	Objection (related document(s): 1704 Notice filed by Debtor Verity Health System of California, Inc.) */Eurofins VRL, Inc.'s Objection and Reservation of Rights to Proposed Cure Amounts for Executory Contracts* Filed by Creditor Eurofins VRL, Inc. (Attachments: # 1 Proof of Service) (Eckhardt, Kevin) (Entered: 03/13/2019)
03/13/2019	1789 (5 pgs)	Hearing Held (RE: related document(s)1591 Motion to Approve Compromise Under Rule 9019 filed by Debtor Verity Health System of California, Inc.) (read ruling attached). Granted (Lomeli, Lydia R.) (Entered: 03/13/2019)
03/13/2019	1790 (3 pgs)	Supplemental *Second Supplement to the Notice of Fifth Monthly Fee Applications of Professionals Paid By the Debtors for Allowance and Payment of Interim Compensation and Reimbursement of Expenses* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) (Entered: 03/13/2019)
03/13/2019	1791 (384 pgs)	Application for Compensation *Berkeley Research Group, LLC's First Interim Fee Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period August 31, 2018 Through December 31, 2018* for Berkeley Research Group LLC, Financial Advisor, Period: 8/31/2018 to 12/31/2018, Fee: $3,717,941.00, Expenses: $251,437.49. Filed by Financial Advisor Berkeley Research Group LLC (Moyron, Tania) (Entered: 03/13/2019)
03/13/2019	1792 (69 pgs)	Application for Compensation *Pachulski Stang Ziehl & Jones LLP's First Interim Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period September 1, 2018 - December 31,*

		2018 for Pachulski Stang Ziehl & Jones LLP, Debtor's Attorney, Period: 9/1/2018 to 12/31/2018, Fee: $146252.70, Expenses: $2,200.18. Filed by Attorney Pachulski Stang Ziehl & Jones LLP (Cho, Shirley) (Entered: 03/13/2019)
03/13/2019	1793 (2 pgs)	Errata *To Notice To Counterparties To Executory Contracts and Unexpired Leases of The Debtors That May Be Assumed and Assigned* Filed by Debtor Verity Health System of California, Inc. (RE: related document(s)1704 Notice). (Moyron, Tania) (Entered: 03/13/2019)
03/13/2019	1794 (10 pgs)	Response to (related document(s): 1610 Notice of motion and motion for relief from automatic stay with supporting declarations ACTION IN NON-BANKRUPTCY FORUM RE: David Pullman v St. Vincent Medical Center BC597684. Fee Amount $181, filed by Creditor David Pullman, 1787 Stipulation By Verity Health System of California, Inc. and *Stipulation Between Debtor, St. Vincent Medical Center, And David Pullman, Granting David Pullman Relief From The Automatic Stay* filed by Debtor Verity Health System of California, Inc.) Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (Behrens, James) (Entered: 03/13/2019)
03/13/2019	1795 (58 pgs)	Application for Compensation *First Interim Application of Milbank LLP for Approval and Allowance of Compensation for Services Rendered and Reimbursement of Expenses Incurred* for Milbank LLP, Creditor Comm. Aty, Period: 9/14/2018 to 12/31/2018, Fee: $2,247,099.99, Expenses: $36,811.82. Filed by Attorney Milbank LLP (Behrens, James) (Entered: 03/13/2019)
03/13/2019	1796 (123 pgs)	Application for Compensation *First Interim Application of FTI Consulting, Inc. for Approval and Allowance of Compensation for Services Rendered and Reimbursement of Expenses Incurred* for FTI Consulting, Inc., Financial Advisor, Period: 9/14/2018 to 12/31/2018, Fee: $1,084,689.75, Expenses: $14,553.04. Filed by Financial Advisor FTI Consulting, Inc. (Behrens, James) (Entered: 03/13/2019)
03/13/2019	1797 (10 pgs)	Declaration re: *Declaration of Michael Strollo in Support of Interim Applications for Allowance and Payment of Fees and Reimbursement of Expenses of Milbank LLP and FTI Consulting, Inc., as Advisors to the Official Committee of Unsecured Creditors* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1795 Application for Compensation *First Interim Application of Milbank LLP for Approval and Allowance of Compensation for Services Rendered and Reimbursement of Expenses Incurred* for Milbank LLP, Creditor Comm. Aty, Period: 9/14/2018 to 12/31/201, 1796 Application for Compensation *First Interim Application of FTI Consulting, Inc. for Approval and Allowance of Compensation for Services Rendered and Reimbursement of Expenses Incurred* for FTI Consulting, Inc., Financial Advisor, Period: 9/14/). (Behrens, James) (Entered: 03/13/2019)
03/13/2019	1798 (11 pgs)	Notice *of Hearing Regarding First Interim Applications of Milbank LLP and FTI Consulting, Inc. for Approval and Allowance of Compensation for Services Rendered and Reimbursement of Expenses Incurred* Filed by Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. (RE: related document(s)1795 Application for Compensation *First Interim Application of Milbank LLP for Approval and Allowance of Compensation for Services Rendered and Reimbursement of Expenses Incurred* for Milbank LLP, Creditor Comm. Aty, Period: 9/14/2018 to 12/31/2018, Fee: $2,247,099.99, Expenses: $36,811.82. Filed by Attorney Milbank LLP, 1796 Application for Compensation *First Interim Application of FTI Consulting, Inc. for Approval and Allowance of Compensation for Services Rendered and Reimbursement of Expenses*

		Incurred for FTI Consulting, Inc., Financial Advisor, Period: 9/14/2018 to 12/31/2018, Fee: $1,084,689.75, Expenses: $14,553.04. Filed by Financial Advisor FTI Consulting, Inc.). (Behrens, James) (Entered: 03/13/2019)
03/13/2019	1799 (1452 pgs; 9 docs)	Application for Compensation *First Interim Application* for Dentons US LLP, Debtor's Attorney, Period: 8/31/2018 to 12/31/2018, Fee: $4119393.59, Expenses: $97077.27. Filed by Attorney John A Moe II (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E # 6 Exhibit F # 7 Exhibit G # 8 Exhibit H) (Moe, John) (Entered: 03/13/2019)
03/13/2019	1800 (174 pgs; 7 docs)	Application for Compensation *First Interim Application* for Nelson Hardiman LLP, Special Counsel, Period: 8/31/2018 to 12/31/2018, Fee: $387,973.50, Expenses: $380.15. Filed by Special Counsel Nelson Hardiman LLP (Attachments: # 1 Exhibit A - Declaration of Lawrence B. Gill # 2 Exhibit 1 to Declaration of Lawrence B. Gill # 3 Exhibit 2 to Declaration of Lawrence B. Gill # 4 Exhibit 3 to Declaration of Lawrence B. Gill # 5 Exhibit 4 to Declaration of Lawrence B. Gill # 6 Exhibit 5 to Declaration of Lawrence B. Gill) (Shirley, Rosa) (Entered: 03/13/2019)
03/13/2019	1801 (3 pgs)	Notice of Hearing *On First Interim Applications For Allowance And Payment Of Fees And Reimbursement Of Expenses* Filed by Attorney Dentons US LLP (RE: related document(s)1799 Application for Compensation *First Interim Application* for Dentons US LLP, Debtor's Attorney, Period: 8/31/2018 to 12/31/2018, Fee: $4119393.59, Expenses: $97077.27. Filed by Attorney John A Moe II (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E # 6 Exhibit F # 7 Exhibit G # 8 Exhibit H)). (Moe, John) (Entered: 03/13/2019)
03/13/2019	1802 (18 pgs)	Proof of service Filed by Special Counsel Nelson Hardiman LLP (RE: related document(s)1800 Application for Compensation *First Interim Application* for Nelson Hardiman LLP, Special Counsel, Period: 8/31/2018 to 12/31/2018, Fee: $387,973.50, Expenses: $380.15.). (Shirley, Rosa) (Entered: 03/13/2019)
03/13/2019	1803 (26 pgs)	Notice of motion/application *Seeking Nunc Pro Tunc (I) Approval of Settlement Among Verity Health System of California, Inc., Santa Clara County and Surgical Information Systems, LLC, And (II) Authorization of Assumption and Assignment of New Agreement To Santa Clara County and Assumption of Remaining Portion By The Debtors; Declaration Of Richard G. Adcock In Support Thereof* Filed by Debtor Verity Health System of California, Inc.. (Moyron, Tania) WARNING: See entry 1810 for corrective action. Attorney to re-file document using correct event code 'Approve Compromise Under Rule 9019 (motion)'. Modified on 3/14/2019 (Lomeli, Lydia R.). (Entered: 03/13/2019)
03/14/2019	1804 (6 pgs)	Objection (related document(s): 1704 Notice filed by Debtor Verity Health System of California, Inc.) *Objection to Cure Amount Alleged by Debtors Under the Executory Contract with Workday, Inc.* Filed by Creditor Workday, Inc. (Hogue, Michael) (Entered: 03/14/2019)
03/14/2019	1805	Hearing Set (RE: related document(s)1795 Application for Compensation) The Hearing date is set for 4/3/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/14/2019)
03/14/2019	1806	Hearing Set (RE: related document(s)1796 Application for Compensation) The Hearing date is set for 4/3/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/14/2019)
03/14/2019	1807	Hearing Set (RE: related document(s)1799 Application for Compensation

		filed by Attorney Dentons US LLP) The Hearing date is set for 4/3/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/14/2019)
03/14/2019	1808	Hearing Set (RE: related document(s)1791 Application for Compensation filed by Financial Advisor Berkeley Research Group LLC) The Hearing date is set for 4/3/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/14/2019)
03/14/2019	1809	Hearing Set (RE: related document(s)1792 Application for Compensation filed by Attorney Pachulski Stang Ziehl & Jones LLP) The Hearing date is set for 4/3/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/14/2019)
03/14/2019	1810	Notice to Filer of Error and/or Deficient Document **Incorrect docket event was used to file this document. THE FILER IS INSTRUCTED TO RE-FILE THE DOCUMENT USING THE CORRECT DOCKET EVENT.** WARNING: Attorney to re-file document using correct event code 'Approve Compromise Under Rule 9019 (motion)'. (RE: related document(s)1803 Notice of motion/application filed by Debtor Verity Health System of California, Inc.) (Lomeli, Lydia R.) (Entered: 03/14/2019)
03/14/2019	1811	Hearing Set re 1803 Motion Seeking Nunc Pro Tunc (I) Approval Of Settlement Among Verity Health System f California, Inc., Santa Clara County And Surgical Information Systems, Llc, And (Ii) Authorization Of Assumption And Assignment Of New Agreement To Santa Clara County And Assumption Of Remaining Portion By The Debtors; The Hearing date is set for 4/3/2019 at 10:00 AM at Crtrm 1568, 255 E Temple St., Los Angeles, CA 90012. The case judge is Ernest M. Robles (Lomeli, Lydia R.) (Entered: 03/14/2019)

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Judge Ernest M. Robles
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF; DECLARATION OF ANITA CHOU IN SUPPORT THEREOF**[1] EMERGENCY HEARING: Date: September 5, 2018 Time: 10:00 a.m. Place: Courtroom 1568

[1] Filed Pursuant to LBR 2081-1(a)(9) and 9075-1(a).

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EMERGENCY MOTION

Verity Health System of California, Inc. ("VHS"), and the above-referenced affiliated debtors, the Debtors and Debtors in possession (the "Debtors") in the above-captioned chapter 11 cases (the "Cases"), hereby move, on an emergency basis (the "Motion"), pursuant to §§ 105(a), 361, 362, 363, 364 and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code"), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 4001-2 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California ("LBR") for entry of an interim order (substantially in the form attached hereto as **Exhibit A**, the "Interim Order") and a final order (the "Final Order" and together with the Interim Order, the "DIP Orders") (i) authorizing the Debtors to enter into a senior secured, superpriority debtor in possession financing facility with Ally Bank, a subsidiary of Ally Financial, Inc. (the "DIP Lender"),[2] in an (a) interim amount not to exceed $30,000,000 and only as needed to avoid immediate and irreparable harm, and (b) after a final hearing, an amount up to total lending of not more than $185,000,000 (as amended, modified or otherwise in effect from time to time, the "DIP Facility"), substantially on the terms set forth in the Declaration of Anita M. Chou, Chief Financial Officer of VHS ("Chou Decl.") filed in Support of this Motion and the *Debtors In Possession Revolving Credit Agreement*, attached as **Exhibit "1"** to the proposed Interim Order (as amended, supplemented, or otherwise modified and in effect from time to time, the "DIP Credit Agreement,"[3] and together with all other agreements, documents, notes, certificates, and instruments executed and/or delivered with, to or in favor of the DIP Lender, the "DIP Financing Agreements"), and (c) granting the DIP Liens and the DIP Superpriority Claims (in each case, as defined below); (ii) authorizing the interim use of Cash Collateral (as defined below) on the terms set forth in the Interim Order; (iii)

[2] Ally Bank is an FDIC insured bank, originally formed in 2000 as GMAC Bank, and renamed Ally Bank 2009. More information on Ally Bank is available at https://www.aally.com

[3] Capitalized terms used but not defined herein shall have the meanings given to them in the DIP Credit Agreement or, if not defined in the DIP Credit Agreement, the DIP Financing Term Sheet or the Chou Declaration.

granting "adequate protection" to the holders of the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H ("2005 Bonds"),[4] the holders of the California Public Finance Authority Revenue Notes (Verity Health System) Series 2015 A, B, C, and D and Series 2017 A and B (collectively, the "Working Capital Notes" and together with the 2005 Bonds, the "MTI Obligations")[5] and MOB Financing LLC and MOB Financing II LLC as holders of security interests in Verity Holdings prepetition accounts, including rents arising from the prepetition MOB Financing (described below) in the form of Adequate Protection Payments and Replacement Liens, each as defined in the Chou Decl.; (iv) modifying the automatic stay as imposed by § 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms of the DIP Facility and the DIP Orders; and (v) scheduling an interim hearing to approve the proposed Interim Order and a final hearing with respect to the relief requested herein (the "Final Hearing").

SUMMARY OF REQUESTED RELIEF

This Motion is necessary to avoid immediate and irreparable harm because the bulk of the Debtors' income is subject to a prepetition perfected pledge on the gross revenue of their six operating hospitals (the "Gross Revenue Pledge") in favor of the MTI Obligations and their prepetition accounts and government receivables are subject to a senior perfected collateral pledge (the "Accounts Pledge") in favor of the Working Capital Notes. The Master Trustee, on behalf of the holders of the MTI Obligations, expressly agreed to subordinate the Gross Revenue Pledge to the Accounts Pledge. In addition, the assets, revenues and accounts for various income generating medical buildings owned by Verity Holdings, LLC ("Holdings") are the subject of prepetition deeds of trust and perfected pledges of accounts, including lease rents. Although the Debtors' operating cash is held in bank accounts that are not the subject of control agreements, all

[4] UMB Bank, N.A. ("UMB") serves as successor Master Trustee under the Master Indenture of Trust dated as of December 1, 2001, as supplemented (the "Master Indenture"), between the Obligated Group and the Master Trustee. The Series 2005 Bonds and Working Capital Notes were issued as Obligations under the Master Indenture.

[5] U.S. Bank National Association ("U.S. Bank") serves as the Collateral Agent and Note Trustee for the Working Capital Notes.

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of the Debtors' Obligated Group revenue based receipts pass through Lockboxes[6] and Gross Revenue Accounts that are the subject of control agreements in favor of the prepetition Note Trustee. *See* Chou Decl., at ¶ 10.

The Debtors have continually lost money since well before completion of the VHS reorganization of the Daughters of Charity Health System in 2015. *See* Declaration of Richard G. Adcock In Support of Emergency First-Day Motions [Docket No. 8, at 21-25]. The Debtors sought alternative DIP financing from a number of prospective asset purchasers, traditional distressed credit lenders and identified major holders of their existing secured debt. As described in the Chou Decl., all of the parties who expressed interest offered less financing than the Debtors initially sought and all insisted upon a prompt sales process to dispose of all or substantially all of their assets under §§ 363 and 365 of the Bankruptcy Code. The DIP Lender with the most reasonable terms and providing the greatest additional liquidity was Ally Bank. The proposed DIP Lender is not affiliated with the Debtors, and is neither an existing Prepetition Secured Lender nor a proposed "stalking horse" bidder for any of the Debtors' assets.

In further support of the Motion, the Debtors rely upon and refer this Court to the Declarations of Rich Adcock, CEO of VHS ("Adcock Decl." or "First Day Decl.**")** in Support of the First Day Motions as well as the Chou Decl.

ADDITIONAL INFORMATION

The Motion is based on the Notice of Emergency Motions that will be filed and served after obtaining a hearing date for the Debtors' "First Day Motions," the attached Memorandum of Points and Authorities, the Chou Decl., the arguments of counsel and other admissible evidence properly brought before the Court at or before the hearing on this Motion. In addition, the Debtors request that the Court take judicial notice of all documents filed with the Court in this Case.

The Debtors will serve this Motion, the attached Memorandum of Points and Authorities,

[6] Each of the account Obligated Group Debtors has their own Lockbox and Gross Revenue Account, both of which are subject to control agreements in favor of UMB Bank as Master Trustee and/or U.S. Bank as Note Trustee for the MTI Obligations and Working Capital Notes, respectively.

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the Adcock Declaration and Notice of Emergency Motions on: (i) the U.S. Trustee, (ii) all alleged secured creditors, (iii) the United States of America and the State of California, (iv) the fifty largest general unsecured creditors appearing on the list filed in accordance with Rule 1007(d) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), (v) any parties requesting special notice, (vi) the DIP Lender, the DIP Agent and their counsel, and (vii) the Prepetition Secured Creditors and their counsel. To the extent necessary, the Debtors request that the Court waive compliance with LBR 9075 1(a)(6) and approve service (in addition to the means of service set forth in such LBR) by overnight delivery. Among other things, the Notice of Emergency Motions will provide that any opposition or objection to the Motion may be presented at any time before or at the hearing regarding the Motion, but that failure to timely object may be deemed by the Court to constitute consent to the relief requested herein. In the event that the Court grants the relief requested by the Motion, the Debtors shall provide notice of the entry of the order granting such relief upon each of the foregoing parties and any other parties in interest as the Court directs. The Debtors submit that such notice is sufficient and that no other or further notice be given.

WHEREFORE, the Debtors respectfully request entry of an order (i) granting the relief requested herein; and (ii) granting the Debtors such other and further relief as the Court deems just and proper.

Dated: August 31, 2018

DENTONS US LLP
SAMUEL R. MAIZEL
JOHN A. MOE, II
TANIA MOYRON

By_____
Samuel R. Maizel

Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

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MEMORANDUM OF POINTS AND AUTHORITIES

I. STATEMENT OF FACTS

A. General Background.

1. On August 31, 2018 (the "Petition Date"), Verity Health System of California, Inc. ("VHS") and the above-referenced affiliated debtors, the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the "Debtors"), each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). Since the commencement of their cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

2. Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate member of the following five Debtor California nonprofit public benefit corporations that operate five acute care hospitals: O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center (collectively the "Hospitals"). and other facilities in the state of California.

3. VHS, the Hospitals, and their affiliated entities (collectively, "Verity Health System") operate as a nonprofit health care system, with approximately 1,680 inpatient beds, six active emergency rooms, a trauma center, three medical office buildings, and a host of medical specialties, including tertiary and quaternary care.

4. The VHS affiliated entities , including the Debtors and non-debtor entities, are as follows:

- O'Connor Hospital
- Saint Louise Regional Hospital
- St. Francis Medical Center
- St. Vincent Medical Center
- Seton Medical Center, including
- Seton Medical Center Coastside campus
- Verity Business Services
- Marillac Insurance Company, Ltd.
- O'Connor Hospital Foundation
- Saint Louise Regional Hospital Foundation
- St. Francis Medical Center of Lynwood Medical Foundation
- St. Vincent Medical Center Foundation
- Seton Medical Center Foundation
- St. Vincent de Paul Ethics Corporation
- St. Vincent Dialysis Center
- De Paul Ventures, LLC

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- De Paul Ventures San Jose Dialysis, LLC
- Verity Medical Foundation; and Verity Holdings, LLC

5. Verity Medical Foundation ("VMF"), incorporated in 2011, is a statewide collaboration of physicians and other healthcare providers dedicated to delivering high quality, compassionate, patient-centered care to individuals and families throughout California. With more than 100 primary care and specialty physicians, VMF offers medical, surgical and related healthcare services for people of all ages at community-based, multi-specialty clinics conveniently located in areas served by the Debtor Hospitals. VMF holds long-term professional services agreements with the following medical groups: (a) Verity Medical Group; (b) All Care Medical Group, Inc.; (c) CFL Children's Medical Associates, Inc.; (d) Hunt Spine Institute, Inc.; (e) San Jose Medical Clinic, Inc., D/B/A San Jose Medical Group; and (f) Sports, Orthopedic and Rehabilitation Associates.

6. Verity Holdings, LLC ("Holdings"), is a direct subsidiary of its sole member VHS and was created in 2016 to hold and finance VHS' interests in six medical office buildings whose tenants are primarily physicians, medical groups, healthcare providers, and certain of the VHS Hospitals. Holdings' real estate portfolio includes over 30 properties. Holdings is the borrower on approximately $66 million of non-recourse financing secured by separate deeds of trust and revenue and accounts pledges, including the rents on each medical office building.[7]

7. O'Conner Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Foundation, St. Vincent Medical Center Foundation, and Seton Medical Center Foundation handle fundraising and grant-making programs for each of their respective Debtor Hospitals.

8. As of August 31, 2018, the Debtors have approximately 7,385 employees, of whom 4,733 are full-time employees. Approximately 78% of these employees are represented by collective bargaining units. A majority of the employees are represented by collective bargaining

[7] In addition, certain real property of Holdings located on Moss Boulevard on San Mateo County has been pledged as collateral for repayment of the Series 2017 Notes pursuant to a Deed of Trust.

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with Service Employees International Union (approximately 40% of employees) and California Nurses Association (approximately 23% of employees).

9. Each of the Debtors are exempt from federal income taxation as an organization described in section 501(c)(3) of the Internal Revenue Code of 1986.

10. To date, no official committee or examiner has been appointed by the Office of the United States Trustee in these Cases.

B. Historical Challenges.

11. The Hospitals and VMF were originally owned and operated by the Daughters of Charity of St. Vincent de Paul, Province of the West (the "Daughters of Charity"), to support the mission of the Catholic Church through a commitment to the sick and poor. The Daughters of Charity began their healthcare mission in California in 1858 and they ministered to ill, poverty-stricken individuals for more than 150 years. In March 1995, the Daughters of Charity merged with Catholic Healthcare West ("CHW"). In June 2001, Daughters of Charity Health System ("DCHS") was formed, and in October 2001, the Daughters of Charity withdrew from CHW. In 2002, DCHS commenced operations and was the sole corporate member of the Hospitals, which at that time were California nonprofit religious corporations.

12. Between 1995 and 2015, the Daughters of Charity and DCHS struggled to find a solution to continuing operating losses, either through a sale of some or all of the hospitals or a merger with a more financially sound partner. All these efforts failed. During these efforts, however, the health system's losses continued to mount, and the health system borrowed more than $500 million – including through a 2008 bond issuance (the "2008 Bonds") – to fund operations, acquire assets, fund needed capital improvements and/or refinance existing debt.

13. Despite continuous efforts to improve operations, operating losses continued to plague the hospital system due to, among other things, mounting labor costs, low reimbursement rates and the ever-changing healthcare landscape. In 2013, DCHS actively solicited offers for O'Connor Hospital, St. Louise Regional Hospital, Seton Medical Center and Seton Medical Center Coastside. In 2013, to avoid failing debt covenants, the Daughters of Charity Foundation,

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an organization separate and distinct from DCHS, donated $130 million to DCHS to allow it to retire the 2008 Bonds in the total amount of $143.7 million

14. In early 2014, DCHS announced that they were beginning a process to evaluate strategic alternatives for the health system. Throughout 2014, DCHS explored offers to sell their hospital system and, in October of 2014, they entered into an agreement with Prime Healthcare Services and Prime Healthcare Foundation (collectively, "Prime") to sell the system. However, to keep the hospitals open, DCHS, needed to borrow another $125 million to mitigate immediate cash needs during the sales process; in other words, to allow it to continue to operate until the sale could be consummated. In early 2015, the California Attorney General consented to the sale to Prime, but imposed conditions on that sale that were so onerous – at least from Prime's perspective – that Prime terminated the transaction.

15. In 2015, DCHS again marketed their health system for sale, and, again, focused on offers that maintained the health system as a whole, and assumed all the obligations. In July 2015, the DCHS Board of Directors selected BlueMountain Capital Management LLC ("BlueMountain"), a private investment firm, to recapitalize its operations and transition leadership of the health system to the new Verity Health System (the "BlueMountain Transaction").

16. In connection with the BlueMountain Transaction, BlueMountain agreed to make a capital infusion of $100 million to the hospital system, arrange loans for another $160 million to the health system, and manage operations of the health system, with an option to buy it. In addition, the parties entered into a System Restructuring and Support Agreement (the "Restructuring Agreement"), DCHS's name was amended to Verity Health Sysem, and Integrity Healthcare, LLC ("Integrity") was formed to carry out the management services under a new management agreement.

17. On December 3, 2015, the California Attorney General approved the BlueMountain Transaction, subject to conditions. Despite BlueMountain's infusion of cash and retention of various consultants and experts to assist in improving cash flow and operations, the health system did not prosper. Finally, in July 2017, NantWorks, LLC ("NantWorks") acquired a

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controlling stake in Integrity. NantWorks brought in a new CEO, CFO, and COO. NantWorks invested or loaned another $148 million into the system. Despite the infusion of capital and new management, it became apparent that the problems facing the Verity Health System were too large to solve without a formal court supervised restructuring.

18. In sum, despite VHS' great efforts in the last couple of years to revitalize its Hospitals and improvements in performance and cash flow, the legacy burden of more than a billion dollars of bond debt and unfunded pension liabilities, an inability to renegotiate collective bargaining agreements or payor contracts, the continuing need for significant capital expenditures for seismic obligations and aging infrastructure, and the general headwinds facing the hospital industry, make success impossible. Losses continue to amount to approximately $175 million annually on a cash flow basis.

19. Additional background facts on the Debtors, including an overview of the Debtors' business, information on the Debtors' debt structure and information on the events leading up to the Cases, are contained in the Declaration of Richard Adcock.

C. Facts Relevant to this Motion: Capital Structure and Need for Additional Financing

20. VHS, Verity Business Services ("VBS") and VHS's five acute care hospital subsidiaries, and one operating division (the "Hospitals") are jointly obligated parties on approximately $461.4 million in outstanding principal amount of secured debt consisting of: (a) $259.4 million in outstanding principal amount of tax exempt revenue bonds, Series 2005 A, G and H issued by the California Statewide Communities Development Authority (the "2005 Bonds"), which loaned the bond proceeds to VHS to provide funds for capital improvements and to refinance certain tax exempt bonds previously issued in 2001 by the Daughters of Charity Health System, a religious enterprise and VHS's reorganization predecessor, and (b) $202 million in outstanding principal amount of tax exempt revenue notes, Series 2015 A, B, C, and D and Series 2017 issued by the California Public Finance Authority, which loaned the proceeds to VHS to provide working capital (the "Working Capital Notes"). Wells Fargo Bank, N.A. ("Wells Fargo") is the Bond Trustee and UMB Bank National Association ("UMB Bank") is the

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successor Master Trustee and for the prepetition secured 2005 Bonds. U.S. Bank, National Association ("U.S. Bank") is the Note Trustee and also the Collateral Agent for the Working Capital Notes. *See* Chou Decl. at ¶ 4.

21. Except for the taxable Series 2015C Working Capital Notes, the MTI Obligations are all tax exempt, meaning interest on the bonds is not taxable to the holders so long as the issuer maintains its qualified tax exempt status and the proceeds of the bonds were used for the tax exempt purposes for which they were originally intended. The Series 2005 A Bonds are comprised of four term bonds maturing on July 1, 2024, 2030 and 2035 bearing interest at 5.75% (Series 2005A-2024), (Series 2005A-2030), (Series 2005A-2035) and one maturing July 1, 2039 bearing interest at 5.50% (Series 2005A-2039). The Series 2005G term bond matures on July 1, 2022 and bears interest at 5.50%. The Series 2005H- term bond matures on July 1, 2025 and bears interest at 5.75%. The Working Capital Notes mature on June 10, 2019 (Series 2015A, Series 2015B, Series 2015C and Series 2015D) and on December 10, 2020 (Series 2017A, 2017B). Series 2015A and B and Series 2017 and 2017B bear interest at 7.25%, while the Series 2015D carries an 8.75% interest rate and Series 2015C accrues interest at 9.5%. *See* Chou Decl. at ¶ 5.

22. Holdings, a direct subsidiary of its sole member Verity, was created in 2016 to hold and finance Verity's interests in six medical office buildings whose tenants are primarily physicians, medical groups and certain of the Verity Hospitals. Holdings' real estate portfolio includes over 30 properties, including, but not limited to, apartment buildings, parking lots, condominiums. Holdings is the borrower on approximately $66 million on two series of non-recourse financing secured by separate deeds of trust, revenue and accounts pledges, including lease rents on each medical building (collectively "MOB Financing"). The MOB Financings bear interest at a variable interest rate equal to One Month LIBOR plus a spread of 5.0% with a floor of 6.23%. The secured lenders for the MOB Financings are affiliates of NantWorks, LLC, which is an affiliate of the Debtors' prepetition manager, Integrity Healthcare, LLC ("Integrity"). *See* Chou Decl., at ¶ 6.

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23. During September 2017, the California Statewide Communities Development Authority issued $20 million of limited obligation tax exempt bonds pursuant to the CaliforniaFIRST Clean Fund Program in five series all with the same maturity date of September 2, 2047 (the "Clean Fund Bonds") as the conduit issuer for the benefit and obligation of Verity. The purpose of the bond funding was to assist with clean energy construction efforts of the Seton Medical Center and are secured by Seton Medical Center's voluntary agreement to special tax assessments by Daly City. No other Debtor is liable for repayment of the Clean Fund Bonds. Wilmington Trust National Association ("WTNA") is the Trustee holding the construction funds, and a pre-funded capitalized interest fund and is the collateral agent for collection of the special tax assessments for use in paying interest and principal on the Clean Fund Bonds. Interest on the Clean Fund Bonds accrues at 6.4%. The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the Clean Fund Bonds. *See* Chou Decl. at ¶ 7-8.

24. Also in September 2017, The California Statewide Communities Development Authority operating under the CaliforniaFIRST Program issued a single series $20 million of limited obligation California 30 year tax exempt bonds for the purpose of seismic improvement construction at Seton Medical Center ("NR2 Petros Bonds"). The NR2 Petros Bonds also mature on September 2, 2047, but carry an interest rate of 6.45%. The NR2 Petros Bonds are also California tax exempt and are secured by a special Daly City tax assessment on Seton Medical Center property. No other Debtor is liable for repayment of the NR2 Petros Bonds. The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the NR2 Petros Bonds. WTNA is the Trustee holding the seismic improvement funds, as well as a pre-funded interest payment fund. *See* Chou Decl., at ¶ 8.

25. NantCapital also provided $40 million of unsecured debt financing for Verity as reflected in two $20 million unsecured notes dated March 7, 2018 and March 29, 2018 (the "Unsecured Notes"). The Unsecured Notes are balloon notes with interest and principal payable at maturity in 2020 and carry annual compounded interest rates of 7.25%. *See* Chou Decl., at ¶ 9.

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D. Current Circumstances and Access to Cash

26. As explained above, virtually all the Debtors' income is subject to prepetition perfected pledges. The gross revenue of the Debtors' five hospital corporations are subject to a pledge (the "Gross Revenue Pledge") in favor of the MTI Obligations, and their prepetition accounts and government receivables are subject to a senior perfected collateral pledge (the "Accounts Pledge") in favor of the Working Capital Notes. Pursuant to the terms of a certain Amended and Restated Intercreditor Agreement dated September 1, 2017 (the "Intercreditor Agreement"), the Master Trustee acting on behalf of the MTI Obligations expressly agreed to subordinate of its liens, including the Gross Revenue Pledge, to the Accounts Pledge in favor of the holders of the Working Capital Notes. In addition, the assets, revenues and accounts for various income generating medical buildings owned by Verity Holdings, LLC are the subject of prepetition deeds of trust and perfected pledges of accounts, including lease rents. Although, the Debtors' operating cash is held in bank accounts that are not the subject of control agreements and are unsecured, all of the Debtors' revenue based receipts are pass through Lockboxes and Gross Revenue Accounts that are the subject of control agreements in favor of the prepetition collateral agent, U.S. Bank. *See* Chou Decl., at ¶ 10.

27. As explained in the First Day Declaration by Rich Adcock, and the Chou Declaration, the Debtors have consistently lost money for many years due to, among other things, unfavorable payor contracts and burdensome labor agreements with accelerating pension costs for represented and un-represented employees. The VHS Hospitals also are dramatically under invested in structural improvements necessary to meet California's state mandated seismic and clean energy requirements. The combined effect of these issues has resulted in a consistent decline in operating cash balances absent additional financing. *See* Chou Decl., at ¶ 11.

28. In addition, the Debtors have immediate needs for access to debtor in possession financing. The Debtors have substantial trade payables consistent with the operations of a large organization that receives substantial trade support in the form of traditional credit terms. While the length of terms has begun to shorten as the trade balances grow, financial and capital markets advisers from the Berkley Research Group ("BRG") and Cain Brothers, a division of KeyBanc

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Capital Markets ("Cain"), believe that that the Debtors will have access to normal or near normal unsecured credit terms provided that the Debtors have access to substantial liquidity in the form of postpetition term loan financing.

29. During this time allocated to reorganizing the Debtors' business, the Debtors require additional cash as well as the use of cash proceeds of accounts and government receivables that comprises the collateral of the existing Prepetition Secured Creditors[8] securing the Prepetition Debt within the meaning of § 363(a) of the Bankruptcy Code (the "Cash Collateral"),[9] and the proceeds of the proposed DIP Facility, mainly to fund day-to-day operations and maintain and preserve the value of the Debtors' business (including the Prepetition Collateral), pending the Debtors' sale of all or substantially all their assets for the benefit of the Debtors' estate and creditors, including the Prepetition Secured Creditors. The availability to the Debtors of sufficient working capital and liquidity to finance their operations is vital to their ability to maintain such operations and is necessary for the preservation of the value of the estates as a whole, pending the contemplated sale.

30. As of the filing date, the Debtors expect to have less than $40 million of cash on hand that is not subject to control accounts in favor of either the MTI Obligations, the Working Capital Notes or the MOB Financings, and excluding cash held by WTNA for the Clean Fund Bonds or the NR2 Petros Bonds. However, the Debtors expect to spend approximately $113 million during the first four weeks of the case and operating cash losses for the same four weeks

[8] As described in the Chou Decl. at ¶¶ 4-6, the secured creditors as of the petition date are: the 2005 Bonds, the Working Capital Notes, the MOB Financing, the Clean Bonds and the NR2 Petros Bonds. Referring to the Prepetition Secured Creditors in this way is not an attempt to waive any rights of an unsecured creditors committee to review and determine whether that these parties, in fact, have non avoidable valid, enforceable prepetition security interests in the Debtors' assets; and the Debtors expressly reserve all rights with regard to those issues. As described in the Chou Decl. at ¶21, filed in support of the Motion, the estimated total amount owed to the Prepetition Secured Creditors is approximately $568,000,000 secured by liens on virtually all the Debtors' assets (the "Prepetition Liens"), excluding cash held by the trustees of the secured debt.

[9] Section 363(a) of the Bankruptcy Code defines "cash collateral" as: "cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents whenever acquired in which the estate and an entity other than the estate have an interest and includes the proceeds, products, offspring, rents, or profits of property . . . subject to a security interest as provided in section 552(b) of this title, whether existing before or after the commencement of a case under this title." 11 U.S.C. § 363(a).

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are expected to exceed $11 million. Such expenditure and negative cash flow (the "burn") does not include critical vendors payments, adequate protection payments to prepetition secured lenders, pension contributions or needed capital expenditures. Although the Debtors anticipate having in excess of $219 million in net accounts receivable on hand at the Petition Date and expect to generate approximately $80 million in new postpetition receivables over the first four week period, U.S. Bank as Note Trustee for the obligated group Working Capital Notes has taken the position that all of the postpetition receipts for the near term are the proceeds of prepetition and/or postpetition accounts and government receivables constituting priority collateral for the Working Capital Notes. As a result, in order to survive the opening phases of the Chapter 11 cases and beyond, the Debtors must obtain access to prepetition cash collateral by stipulation or order of this Court.

31. As a result of the above circumstances, the Debtors seek authority during the interim period, and pursuant to the terms of the Interim Order, to use Cash Collateral. The Debtors further seek authority to borrow up to $30,000,000 under the proposed term loan DIP Facility during the interim period, and up to an additional $155,000,000 following entry of the Final Order.

32. The terms of the DIP Facility are the result of a wide ranging market exploration by the Debtors and their professionals. In July 2018, Cain, acting as investment advisers to the Debtors, began to search alternative transactions including new investors. Beginning the week of July 23, Cain expanded its efforts to include possible debtor in possession ("DIP") financing. Cain has reached out to over 110 potential buyers and 16 DIP financing parties; 51 potential buyers and 8 DIP financing parties signed confidentiality agreements. The Debtors have also consulted with certain existing holders of the 2005 Bonds and the Working Capital Notes and the MOB Financings to gauge their interest in postpetition term loans and consents to the use of cash collateral. The combined searches yielded 11 indications of interest from potential buyers and 4 offers for debtor in possession financing, including the one firm proposal being put forward through the Debtors. A summary of principal terms expressly agreed by Ally Bank as DIP

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Lender and DIP Agent is and described below under Section V, and a copy of the currently proposed form of DIP Credit Agreement is attached to the Chou Declaration as **Exhibit 2**.

33. As discussed more fully below, the Debtors propose to secure their obligations under the DIP Facility by, among other things, granting to the DIP Lender under the DIP Facility first priority priming liens on, and security interests in, substantially all of the Debtors' assets, with certain exceptions and, in each case, subject to the "Carve Out," as defined and described more fully below. The DIP Facility and the DIP Orders also provide the DIP Lender with allowed superpriority administrative expense claims.

34. The DIP Credit Agreement and the DIP Orders provide for, among other things, agreed budgetary constraints on the use of Cash Collateral and the proceeds of the DIP Facility. The proceeds of the DIP Facility will provide liquidity for up to 12 months to fund the chapter 11 Cases.

35. The Prepetition Secured Creditors are provided adequate protection through an "equity cushion" in their collateral, and, under the proposed DIP Orders solely to the extent of any diminution in the value of their respective interests in the Prepetition Collateral resulting from, among other things, the subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use sale or lease of such Prepetition Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively, and solely to the extent of such diminution in value, the "Diminution in Value") as more fully set forth in the DIP Orders (and subject to the Carve Out and the Debtors' preserved rights pursuant to § 506(c) of the Bankruptcy Code), in the form of replacement security interests in and liens on substantially all of the Debtors' assets and property (with certain exclusions) and superpriority claims (in each case, in accordance with their relative priorities, and junior and subject to the liens and superpriority claims granted to the DIP Lender). If the Debtors are unable to obtain approval of the use of Cash Collateral and the DIP Facility, their ability to reorganize will be jeopardized, substantially reducing recoveries to all creditors. Entry of the Interim Order and, after the requisite notice and the Final Hearing, the Final Order is therefore (a) critical to the Debtors' ability to preserve and maximize the value of their assets in a sale of substantially all of

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their assets under § 363 of the Bankruptcy Code, (b) in the best interests of the Debtors and their estates, and (c) necessary to avoid irreparable harm to the Debtors, their creditors and their assets, business, goodwill, reputation and employees. Furthermore, access to the Cash Collateral and the proceeds under the DIP Facility is necessary to avoid immediate and irreparable harm to the value of the Debtors' assets pending the sales. The Debtors, therefore, respectfully request that this Motion be granted.

II. BANKRUPTCY RULE 4001 STATEMENT

36. In accordance with Bankruptcy Rule 4001, the following sets forth a concise summary of material terms of the proposed DIP Facility and the DIP Orders:[10]

SECURED CREDITORS: BR 4001(c)(1)(B) LBR 4001-2	UMB Bank as successor Master Trustee for the California Statewide Communities Development Authority Revenue Bonds Series 2005 (the "2005 Bonds"), in the principal amount outstanding of $259,445,000, and for the Working Capital Notes (the Working Capital Notes and the 2005 Bonds are the MTI Obligations). U.S. Bank National Association, as Note Trustee and Collateral Agent for California Public Finance Authority Revenue Notes Series 2015 and Series 2017 (the "Working Capital Notes"), in the principal amount outstanding of $202,000,000. Verity MOB Financing, LLC, as Holder of Promissory Note Secured by Deed of Trust from Verity Holdings, LLC, outstanding in the amount of $46,220,000 (the "Series 2017 MOB Note"). Verity MOB Financing II, LLC, as Holder of Promissory Note Secured by Deed of Trust from Verity Holdings, LLC, outstanding in the amount of $20,00,000 (the "Series 2018 MOB Note" and together with the Series 2017 MOB Note, the "MOB Notes"). Wilmington Trust National Association, as Trustee for the California Statewide Communities Development Authority CaliforniaFIRST Clean Fund Program (the "Clean Fund Bonds"), in the amount outstanding of $20,000,000. Wilmington Trust National Association, as Trustee for the California Statewide Communities Development Authority

[10] This summary is not intended to limit the terms of the DIP Facility, including in respect of any use of Cash Collateral, in each case as set forth in the DIP Credit Agreement, the Interim Order and the Final Order. Reference should be made to the Interim Order, the DIP Credit Agreement and the Final Order for the full terms thereof.

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CaliforniaFIRST Seismic Program (the "NR2 Petros Bonds"), in the amount outstanding of $20,000,000.

BORROWERS:
BR 4001(c)(1)(B)
LBR 4001-2

Verity Health System of California, Inc., O'Connor Hospital., Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center and Seaton Coastside, Verity Holdings LLC and Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, De Paul Ventures, LLC.

GUARANTORS:
BR 4001(c)(1)(B)
LBR 4001-2

None

DIP LENDER:
BR 4001(c)(1)(B)
LBR 4001-2

Ally Bank intends to hold the entire DIP Facility on the Closing Date, but reserves the right to assign and grant participations in revolving loans and revolving commitments pursuant to customary provisions to be set forth in the DIP Facility Documentation.

DIP FACILITY:
BR 4001(c)(1)(B)
LBR 4001-2

Senior revolving credit facility in an aggregate principal amount of up to $185,000,000 (the "DIP Loan Commitment") with the priority as described under the header "Security and Priority" below; provided that, prior to the entry of the Final Order (as defined herein), only up to $30,000,000 (the "Interim Funding Amount") will be made available by the DIP Lender, subject to the satisfaction of the "Interim Funding Conditions" and "Conditions Precedent to All Borrowings." Each advance made pursuant to the DIP Credit Documents (as defined herein) will be a "DIP Loan."

AVAILABILITY:
BR 4001(c)(1)(B)
LBR 4001-2

The aggregate maximum outstanding balance of revolving loans under the DIP Facility shall not exceed at any time the sum of the lesser of:

(a) $185,000,000 and (b) a borrowing base in an amount equal to (1) 85% of the "Net Collectable Value" (as defined below) of eligible accounts receivable due from third-party payors (including Medicare, Medicaid and commercial insurance, but excluding "self-pay" receivables) that are aged less than 180 days from the date of service, plus (2) 60% of eligible Managed Care California Quality Assurance Fee V receivables for (i) Cycle 1 expected to be collected by April 30, 2019 and so long as it is collected by May 31, 2019 and (ii) Cycle II expected to be collected by the managed care health plan by September 30, 2019, which in the case of clause (i) and (ii) are fully earned and net of any outstanding related liabilities, plus (3) 95% of the amount held in escrow constituting net cash proceeds from assets sales of the Borrowers (which amount

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held in escrow, for the avoidance of doubt, shall constitute Collateral and shall be in a deposit account subject to a satisfactory control agreement in favor of DIP Agent), plus (4) $10,000,000, however, for the avoidance of doubt, in no circumstance shall the Borrowing Base exceed $185,000,000, minus (5) reserves imposed in the reasonable business judgment of the DIP Agent (the "Borrowing Base").

(b) Under the DIP Facility, "Net Collectable Value" means percentages that the DIP Agent reasonably applies from time to time to eligible accounts receivable by payor class based upon the DIP Agent's review and analysis of Borrower's historical collection history, contractual allowances, returns, rebates, discounts, credits and other allowances for each such payor class and taking into account other factors deemed appropriate by the DIP Agent.

(c) The Borrowing Base shall exclude accounts receivable generated from the operations of Hospitals which are sold; provided that if such accounts receivable are not sold with the hospital, the associated Net Collectible Value of eligible accounts receivable would remain in the borrowing base until the earlier of 60 days after the sale of the hospital and 45 days before the Scheduled Termination Date

(d) The Borrowing Base will include availability for certain unbilled eligible accounts aged no greater than 21 days from discharge date (subject to an aggregate cap on such unbilled accounts in an amount to be determined and acceptable to the DIP Agent).

CLOSING DATE:
BR 4001(c)(1)(B)
LBR 4001-2

The date on or after the entry of the Interim Order on which the "Interim Funding Conditions" set forth herein are satisfied (the "Closing Date").

INTERIM FUNDING CONDITIONS:
BR 4001(c)(1)(B)
LBR 4001-2

The obligation of the DIP Lender to make available the Interim Funding Amount under the DIP Facility (the "Interim Funding") shall be subject to the satisfaction (or waiver by the DIP Agent, in its sole and absolute discretion) of the following conditions:

(a) the DIP Credit Documents shall have been executed and delivered by each party thereto, in form and substance satisfactory to the DIP Agent;

(b) the Petition Date shall have occurred, and each Borrower shall be a debtor and a debtor in possession;

(c) "First day orders" related to or affecting the Collateral or DIP Facility (including cash and cash management) shall be in form and substance satisfactory to the DIP Agent, and all other "first day orders" entered at the time of commencement of the Chapter 11 Cases shall be reasonably satisfactory to the DIP Agent;

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(d) Within 60 days following the Petition Date, the Borrowers shall have filed either (i) a motion for approval of bid procedures for an identified stalking horse bidder in an amount of at least $235,000,000 of cash consideration in connection with the sale of the St. Louise and O'Connor Hospitals and related assets pursuant to §§ 363(b) and (f) of the Bankruptcy Code (the "Bid Procedures Motion") on terms and conditions acceptable to the DIP Agent or (ii) a motion for approval of a negotiated asset purchase agreement executed by a third party for the entire hospital system with expected consideration in the form of cash or assumption of prepetition secured debt in an amount not less than $700,000,000 and the simultaneous payment in full of the obligations owed, and termination of all commitments of the DIP Agent and DIP Lenders, under the DIP Credit Facility (the "Sale Motion"). Provided however, if the Borrowers do not file either the Bid Procedures Motion or the Sale Motion acceptable to the DIP Agent within 30 days following the Petition Date, then (i) availability shall be $0 for items number (2) and (4) in the Borrowing Base and (ii) the minimum liquidity covenant shall be the greater of $15 million and 15% of the Borrowing Base, in each case until such time that a satisfactory Bid Procedures Motion or Sale Motion acceptable to the DIP Agent is filed so long as such Bid Procedures Motion or Sale Motion is filed within 60 days following the Petition Date;

(e) Within 60 days following the Petition Date, the Borrowers shall have presented a plan for the reduction and eventual elimination of the cash burn from the operation of Seton Medical Center and Seton Medical Center Coastside (which may be by a sale of such facilities to an identified stalking horse bidder or by other means including the Sale Motion, in either case on terms and conditions reasonably satisfactory to the DIP Agent), provided however, if the Borrowers' do not present such a plan on terms and conditions acceptable to the DIP Agent within 60 days following the Petition Date, thereafter, (i) availability shall be $0 for items number (2) and (4) in the Borrowing Base and (ii) the minimum liquidity covenant shall be the greater of $15 million and 15% of the Borrowing Base;

(f) the Interim Order shall have been entered and the DIP Agent shall have received a signed copy of the Interim Order (as defined herein), in form and substance satisfactory to the DIP Agent in its sole and absolute discretion, which order shall have been entered not later than three (3) business days following the Petition Date (or such later date as the DIP Agent may agree), authorizing and approving the making of the loans in the amounts consistent with those set forth in the "DIP Facility" section above and the granting of the superpriority claims and liens and other liens referred to above under the heading "Security and Priority" (such order, the "Interim Order", and together with the Final Order, the "DIP Orders"), which Interim Order shall not have been vacated,

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reversed or stayed in any respect;

(g) no trustee or examiner having expanded powers shall have been appointed, or any Borrower shall have applied for, consented to, or acquiesced in, any such appointment, with respect to the Borrowers or their respective properties;

(h) all reasonable and documented out-of-pocket costs, fees and expenses (including, without limitation, reasonable and documented legal fees) set forth in the DIP Credit Documents or otherwise required to be paid to the DIP Agent and the DIP Lenders on or before the Closing Date shall have been paid, to the extent such expenses exceed the Deposit ;

(i) the DIP Agent shall have received the Initial Agreed Budget and the Initial 13 Week Cash Flow Forecast;

(j) the DIP Agent shall have received closing deliverables customary and/or appropriate in the judgment of the DIP Agent for transactions of this type;

(k) since the public disclosures on August 14, 2018, for the period ending May 31, 2018, there shall not have occurred or there shall not exist any event or condition (other than as customarily occurs as a result of events leading up to and following the commencement of a proceeding under Chapter 11 of the Bankruptcy Code by the Borrowers and the commencement of the Chapter 11 Cases) that, individually or in the aggregate, (i) has a material adverse effect on the assets, business, operations, liabilities or financial condition of the Borrowers taken as a whole; or (ii) a material adverse effect (x) on the material rights or remedies of the DIP Agent or the DIP Lender under any DIP Loan Document or (y) on the ability of the Borrowers, taken as a whole, to perform their payment obligations to the DIP Agent or the DIP Lender under any DIP Loan Document (such event, condition, circumstance or contingency, a "Material Adverse Effect");

(l) except as disclosed on a schedule delivered to the DIP Agent by Borrowers, there shall exist no unstayed action, suit, investigation, litigation or proceeding pending or (to the knowledge of the Borrowers) threatened in any court or before any arbitrator or governmental instrumentality (other than the Chapter 11 Cases or the consequences that would normally result from the commencement and continuation of the Chapter 11 Cases) that could reasonably be expected to have a Material Adverse Effect;

(m) each DIP Lender who has requested the same at least five (5) business days prior to the Closing Date shall have received "know your customer" and similar information at least three (3) days prior to the Closing Date;

(n) the DIP Agent, for the benefit of the DIP Lender, shall have the valid and perfected liens on the Collateral

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contemplated by the "Security and Priority" section above pursuant to the DIP Orders and no further action by any entity shall be required to perfect the DIP Liens; provided that (i) the DIP Agent may, in its sole and absolute discretion, file UCC financing statements, require delivery of certificated equity interests required to be pledged, and require execution and delivery of intellectual property security agreements, in each case in suitable form for filing, and (ii) the Borrowers shall use commercially reasonable efforts to take all other actions necessary and desirable to perfect the DIP Liens on a post-closing basis;

(o) the Interim Order shall have been entered without opposition by U.S. Bank as Note Trustee for 2015 and 2017 Working Capital Notes; UMB Bank as Master Trustee for the MTI Obligations; Verity MOB Financing, LLC and Verity MOB Financing II, LLC; Wilmington Trust National Association, as Trustee for the California Statewide Communities Development Authority for the California First Clean Program and California First Seismic Program; and any other party identified by the DIP Agent, unless the DIP Agent waives such condition in its sole and absolute discretion;

(p) the DIP Agent shall be satisfied in its sole and absolute discretion with cash dominion arrangements effective with respect to the DIP Facility;

(q) the Closing Date shall have occurred on or prior to two (2) business days after the entry of the Interim Order;

(r) the DIP Agent and the DIP Lender shall have received such other documents and information (financial or otherwise) as may be reasonably requested by the DIP Agent or the DIP Lender on or prior to the Closing Date;

(s) each of the representations and warranties of any Borrower in the DIP Loan Documents shall be true and correct in all material respects on the Closing Date (in each case, any representation or warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects as of the Closing Date); and

(t) such other conditions customary and/or appropriate in the judgment of the DIP Agent for transactions of this type (collectively, the "Interim Funding Conditions").

MATURITY DATE:
BR 4001(c)(1)(B)
LBR 4001-2

The DIP Facility will mature, and lending commitments thereunder will terminate, on the date that is the earliest of: (a) the first anniversary of the Interim Order (the "Scheduled Termination Date"); (b) the earlier of (i) the date that is 30 days from entry of the Interim Order (as defined herein) unless a final, non-appealable order of the Bankruptcy Court authorizing the DIP Facility in form and substance satisfactory to the DIP Agent in its sole and absolute discretion (a "Final Order") has been entered and has become effective prior to the

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	expiration of such period (or such later date as the DIP Agent may approve in writing in its sole and absolute discretion), (ii) the date the Court denies entry of the Final Order, or (iii) the date of revocation of the Interim Order or the Final Order, as applicable; (c) the substantial consummation (as defined in § 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "effective date") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Bankruptcy Court; (d) the consummation of a sale of all or substantially all of the Collateral; (e) the date the Bankruptcy Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (f) the acceleration of the DIP Loans and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Loan Documents (the earliest of such dates, the "Termination Date").
USE OF PROCEEDS: BR 4001(b)(1)(B)(ii), -(b)(1)(B)(iii), -(b)(1)(B)(iv) LBR 4001-2	In accordance with the Initial Agreed Budget (defined below) proceeds will be utilized to fund the Debtors' day-to-day operations and general corporate purposes, pay the administrative expenses of the Chapter 11 cases, to maintain and preserve the Debtor's assets, and to make adequate protection payments to the following identified prepetition secured creditors: (1) U.S. Bank as Note Trustee for the 2015 and 2017 Working Capital Notes; (2) UMB Bank as Master Trustee for the MTI Obligations; (3) Verity MOB Financing, LLC and Verity MOB Financing II, LLC; but excluding (4) Wilmington Trust National Association, as Trustee ("WTNA") for the California Statewide Communities Development Authority for the CaliforniaFirst Clean Program and CaliforniaFirst Seismic Program ("PACE"), for the Debtor following the closing of the DIP Credit Facility, provided that Borrower may utilize proceeds to pay Daly City, California special tax assessments, for the benefit of WTNA as Trustee for the Pace Bonds. Adequate protection payments and other advances under the DIP Facility will be subject to compliance with minimum liquidity or maximum DIP budget variance financial covenants and the absence of any other Default or Event of Default which has not been cured to the extent provided in the DIP Facility. The Debtors shall maintain books and records sufficient to account for their use of the DIP Facility on an entity by entity basis.
INITIAL AGREED BUDGET: BR 4001(b)(1)(B)(ii) LBR 4001-2	The Debtor's use of the DIP Facility proceeds and Cash Collateral will be in accordance with an agreed budget providing financial projections for the Parties covering the period from the entry of the Interim Order on a rolling 13-week basis, which projections shall include, at a minimum, projected receipts, and projected disbursements. The proposed initial agreed budget covering the initial 13 week period (the "Initial Agreed Budget") is attached to the Chou Decl. as **Exhibit 2**. The Borrowers may provide the DIP Agent, which shall be acceptable to the DIP Agent and the DIP Lender in

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their sole discretion, an updated budget (each an "Updated DIP Budget" and, together with the Initial Agreed Budget or the most recently proposed and accepted Updated DIP Budget, the "DIP Budget") for the then-remaining term of the DIP Facility including updates to the information in the most recently accepted DIP Budget.

INTEREST RATE: BR 4001(c)(1)(B) LBR 4001-2	Borrower shall pay interest under the DIP Facility at 30 Day LIBOR plus 4.50%. There will be a LIBOR floor of 2.0%. Interest shall be calculated on the basis of the actual number of days elapsed in a 360 day year.
FEES: BR 4001(b)(1)(B)(ii), -(c)(1)(B) LBR 4001-2	The Debtors agree to pay to the DIP Lender, (i) a closing fee on the Closing Date in the amount of 1.25% of the commitment amount of the DIP Facility and (ii) Unused Line Fees of 0.75% per annum, on the average daily balance of the unused portion of the DIP Facility payable monthly in arrears, and (iii) all reasonable costs, fees and expenses incurred or to be incurred by the DIP Agent in connection with the documentation, administration, syndication, closing, amendment, modification and/or enforcement of the DIP Facility, including but not limited to field exam expenses, shall be payable upon demand by the Borrower. However, under the DIP Facility there will be no (x) early termination or prepayment fee, (y) collateral management fee or (z) minimum balance requirement.
CARVE OUT: BR 4001(c)(1)(B) LBR 4001-2	The DIP Liens, DIP Superpriority Claim, the Prepetition Liens, the Prepetition Replacement Liens, and the Prepetition Superpriority Claims are subordinate only to the following (collectively, the "Carve Out"): (a) all fees required to be paid to the clerk of the Bankruptcy Court and to the Office of the United States Trustee under section 1930(a) of title 28 of the United States Code plus interest, if any, at the statutory rate (without regard to the notice set forth in (c) below); (b) to the extent allowed at any time, whether by interim order, procedural order or otherwise, all allowed claims for unpaid fees, costs and expenses incurred by persons or firms retained by the Borrowers or the official committee of unsecured creditors in the Chapter 11 Cases (the "Creditors' Committee"), if any, whose retention is approved by the Bankruptcy Court pursuant to any one or more of §§ 327, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs and expenses are both (i) allowed by the Bankruptcy Court pursuant to a final order at any time, and (ii) in accordance with, and solely up to the total respective amounts set forth in, the DIP Budget (as defined below) for the applicable timeframe (the "Carve-Out Expenses"); provided that the aggregate amount of such Carve-Out Expenses shall not exceed (i) $2,000,000 with respect to persons or firms retained by the Borrowers, and (ii) $75,000 with respect to persons or firms retained by the Creditors'

Committee (collectively, the "Carve-Out Amount"). Any payment or reimbursement made after the Carve Out Trigger Date in respect of any Carve-Out Expenses shall permanently reduce the Carve-Out Amount on a dollar-for-dollar basis.

DIP LIENS:
BR 4001(c)(1)(B)(i), -(c)(1)(B)(vii), -(c)(1)(B)(x)

LBR 4001-2

All DIP Obligations of the Borrowers shall be secured by the DIP Liens, which shall be granted in the DIP Credit Documents and approved by the Bankruptcy Court in the DIP Orders, on (1) all existing and after-acquired real and personal property of each Borrower, and (2) the outstanding equity interests issued by each Borrower (to the extent applicable), and all substitutions, accessions, products and proceeds of each of the foregoing (the "Collateral"). All of the DIP Liens shall be effective and perfected as of the Petition Date upon entry of the Interim Order, without need for any additional filings or documentation, except to the extent requested by the DIP Lender in its sole discretion.

The DIP Collateral shall not include any specified excluded collateral agreed to by the DIP Lender, and donor restricted funds at the Philanthropic Foundations, the Pace collateral (which consists solely of use restricted proceeds of a conduit California tax exempt financing under the control of WTNA as Trustee and the associated Daly City special property tax assessments on the applicable properties) and claims and causes of action of the Borrowers' bankruptcy estates under chapter 5 of the Bankruptcy Code ("Avoidance Actions") .

The DIP Liens shall, pursuant to § 364(d)(1) of the Bankruptcy Code, be valid, perfected, continuing, enforceable, non-avoidable first priority liens and security interests on the Collateral of each Borrower, and shall prime all other liens and security interest on the Collateral, including any liens and security interests in existence on the Petition Date, and any other current or future liens granted on the Collateral, including any adequate protection or replacement liens granted on the Collateral (the "Primed Liens").

Except with respect to the Carve-Out, the DIP Liens shall not be subject to surcharge under § 506(c) or any other provision of the Bankruptcy Code.

Proceeds of sales of Hospitals and other assets constituting Collateral shall be held in escrow, shall constitute Collateral and shall not be distributed, in whole or in part to other creditors of the Borrowers until either (a) the DIP Agent and DIP Lender shall have been paid in full all amounts owed under the DIP Credit Documents and all obligations of the Borrowers to the DIP Agent and DIP Lender shall have been satisfied in full and the DIP Lender shall have no further obligations under the DIP Facility to make any advances thereunder, or (b) the DIP Agent otherwise expressly consents in writing to such distribution on terms and conditions that are acceptable to the DIP Agent, which consent may be withheld

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	in its sole discretion.
ADEQUATE PROTECTION: BR 4001(b)(1)(B)(iv), -(c)(1)(B)(i), -(c)(1)(B)(ii), -(d)(1)(A)(i) LBR 4001-2	(1) adequate protection payments. (2) replacement lien, (3) preservation of Debtors' equity cushion through continuous maintenance of real property and (4) super priority expenses of administration for any proven Diminution of Value, as follows. First, use of DIP Facility proceeds and Cash Collateral in accordance with the Initial Agreed Budget to provide adequate protection payments equivalent to postpetition, non-default interest on the outstanding balances of (1) U.S. Bank as Note Trustee for 2015 and 2017 Working Capital Notes; (2) UMB Bank as Master Trustee for the MTI Obligations; (3) Verity MOB Financing, LLC and Verity MOB Financing II, LLC; but excluding (4) Wilmington Trust National Association, as Trustee ("WTNA") for the California Statewide Communities Development Authority for the CaliforniaFirst Clean Program and CaliforniaFirst Seismic Program ("PACE"), for the Debtor following the closing of the DIP Credit Facility, provided that Borrower may utilize proceeds to pay Daly City, California special tax assessments, for the benefit of WTNA as Trustee for the Pace Bonds. Adequate protection payments and other advances under the DIP Facility will be subject to compliance with minimum liquidity or maximum DIP budget variance financial covenants and the absence of any other Default or Event of Default which has not been cured to the extent provided in the DIP Facility. Second, to the extent of the Diminution of Value of the interest of the Prepetition Secured Creditors in the Prepetition Collateral the Debtors propose to provide replacement liens. The Prepetition Secured Creditors shall have, subject to the terms and conditions set forth below, pursuant to §§ 361, 363(e), and 364(d) of the Bankruptcy Code additional and replacement security interests and Liens in the DIP Collateral, excluding Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA and Bankruptcy Recoveries (the "Prepetition Replacement Liens") which shall be junior only to the Carve Out and the DIP Liens securing the DIP Obligations, and for 2005 Revenue Notes only MTI Permitted Prior Liens. Proceeds of Prepetition Replacement Liens shall be allocated amongst Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement. "Bankruptcy Recoveries" shall mean any claims and causes of action to which the Debtor may be entitled to assert by reason of any avoidance or other power vested in or on behalf of the Debtor or the estate of the Debtor under Chapter 5 of the Bankruptcy Code and any and all recoveries and settlements thereof. Third, to preserve the prepetition value of the Debtors real property and improvements, the Debtors will use DIP Facility proceeds and Cash Collateral in accordance with the Initial Agreed Budget and in the ordinary course to continue to maintain all of the pre-petition real property securing the

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Debtors' obligations due to the Prepetition Secured Creditors in good repair.

Fourth, to the extent of the Diminution of Value of the allowed interests of the Prepetition Secured Creditors in the Prepetition Collateral, the Prepetition Secured Creditors shall have an allowed superpriority administrative expense claim (the "Prepetition Superpriority Claim"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, and (iii) the Carve Out), in the Chapter 11 Case under § 364(c)(1), 503(b), and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising, of any kind or nature whatsoever including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to §§ 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d), 552, 726, 1113, and 1114 of the Bankruptcy Code, and, upon entry of the Final Order, § 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy, or attachment. Other than the DIP Liens, the DIP Superpriority Claim, and the Carve Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under §§ 328, 330, and 331 of the Bankruptcy Code, or otherwise, that have been or may be incurred in the Chapter 11 Case, or in any Successor Case, will be senior to, prior to, or on parity with the Prepetition Superpriority Claim (for purposes hereof, such liens will be deemed part of the ''Prepetition Replacement Liens").

PRIORITY:
BR 4001(c)(1)(B)(i),
-(c)(1)(B)(ii)

LBR 4001-2

The DIP Obligations shall, pursuant to § 364(c)(1) of the Bankruptcy Code, be entitled to superpriority administrative expense claim status in the Chapter 11 Case of each Borrower (the "DIP Superpriority Claims"), which DIP Superpriority Claims in respect of the DIP Facility shall have priority over any and all claims against the Borrowers.

FINANCIAL REPORTING:
BR 4001(c)(1)(B)
LBR 4001-2

Monthly, a rolling 13-week budget, setting forth anticipated cash receipts and cash disbursements on a weekly basis. Weekly, a line by line variance report for the preceding week and on a cumulative basis comparing actual and budgeted cash receipts and cash disbursements.

AFFIRMATIVE AND NEGATIVE COVENANTS:
BR 4001(c)(1)(B)
LBR 4001-2

Customary for financings of this type, as may be set forth more fully in the DIP Facility, but including the following financial covenants:

(1) Minimum Liquidity: the greater of $10 million and 10% of the Borrowing Base (except as otherwise provided for under the Interim Funding Conditions), to be tested weekly.

(2) Maximum DIP Budget Variance: Aggregate disbursements by the Borrowers shall not exceed the DIP Budget by more than a specified threshold, to be determined to

	the satisfaction of the DIP Agent. Any amounts unused by the Borrowers for a particular budget period may be carried forward to subsequent budget periods for the Borrowers until used in full. Any un-waived deviation from the covenant described above shall constitute an Event of Default upon notice given by the DIP Agent. For the avoidance of doubt, nothing herein or in the other DIP Credit Documents shall entitle the Borrowers to receive, or require the DIP Lender to extend, a DIP Loan if, at the time of the proposed funding of such DIP Loan (and after giving effect thereto and to all pending requests for DIP Loans), the aggregate amount of DIP Loans would exceed the lesser of (a) the DIP Loan Commitment and (b) the Borrowing Base
REPRESENTATIONS AND WARRANTIES: BR 4001(c)(1)(B) LBR 4001-2	Customary for financings of this type, as set forth more fully in the DIP Credit Agreement.
EVENTS OF DEFAULT: BR 4001(c)(1)(B) LBR 4001-2	Customary and appropriate for financings of this type (subject to customary and appropriate grace periods), including, without limitation, failure to make payments when due, failure to reach Milestones, breaches of representations and warranties, defaults under other agreements or instruments of indebtedness, and noncompliance with covenants.
CONDITIONS PRECEDENT: BR 4001(c)(1)(B), - LBR 4001-2	In addition to such other customary conditions as set forth in the DIP Credit Documents and the continued satisfaction of the Interim Funding Conditions, the obligation of the DIP Lender to advance the DIP Loans (other than the Interim Funding) shall be subject to the satisfaction (or waiver by the DIP Agent, in its sole and absolute discretion) of the following conditions: (a) entry of the Final Order within the time set forth above and the DIP Agent shall have received a signed copy of the Final Order, in form and substance satisfactory to the DIP Agent in its sole and absolute discretion, authorizing and approving, on a permanent basis, the making of the DIP Loans in the amounts consistent with those set forth in the "DIP Facility" section above and the granting of the superpriority claims and liens and other liens referred to above under the heading "Security and Priority" (such order, the "Interim Order", and together with the Final Order, the "DIP Orders"), which Final Order shall not have been vacated, reversed or stayed in any respect; (b) the Final Order shall have been entered without opposition by U.S. Bank as Note Trustee for 2015 and 2017 Working Capital Notes; UMB Bank as Master Trustee for the MTI Obligations; Verity MOB Financing, LLC and Verity MOB Financing II, LLC; Wilmington Trust National Association, as Trustee for the California Statewide Communities Development Authority for the California First Clean Program

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and California First Seismic Program; and any other party identified by the DIP Agent, unless the DIP Agent waives such condition in its sole and absolute discretion; and

(c) Conditions customary and/or appropriate, in the judgment of the DIP Agent, for transactions of this type.

CONDITIONS TO EACH EXTENSION OF CREDIT:
BR 4001(c)(1)(B)
LBR 4001-2

Include, *inter alia*: (i) no default or event of default shall have occurred, (ii) accuracy of representations in all material respects, and (iii) the Interim Order, or following entry thereof, the Final Order shall be in full force and effect.

INDEMNIFICATION AND RELEASE:
BR 4001(c)(1)(B)(viii), -(c)(1)(B)(ix)
LBR 4001-2

To induce the DIP Lender to enter into the DIP Credit Documents, each Borrower, for itself and on behalf of their subsidiaries, successors and assigns (each a "Releasor" and, collectively, the "Releasors"), hereby releases, acquits, and forever discharges each of the DIP Lender, the DIP Agent and any of their respective officers, directors, employees, agents, attorneys, representatives, subsidiaries, affiliates or shareholders (the "Releasees") from any and all liabilities, claims, demands, actions or causes of action of every kind or nature (if any there be), whether absolute or contingent, due or to become due, disputed or undisputed, liquidated or unliquidated, at law or in equity, or known or unknown, that any Releasor now has, ever had or hereafter may have against the Releasees based on acts, transactions or circumstances that have occurred or been consummated on or before the date of the Closing Date and that relate to (a) the DIP Facility, the Financing Documents, or any other extension of credit by the DIP Lender to the Borrowers and their affiliates; (b) any transaction, act or omission contemplated by or described in or concluded under any DIP Credit Document or any Financing Document; or (c) any aspect of the dealings or relationships between or among the Releasors, on the one hand, and the Releasees on the other hand, under or in connection with any DIP Credit Document or any Financing Document or any transaction, act or omission contemplated by or described in or concluded under any DIP Credit Document or Financing Document (collectively, the "Claims"). The provisions of this paragraph shall survive the termination of the DIP Facility and any other DIP Credit Document and payment in full of any indebtedness thereunder. Each Borrower, for itself and on behalf of their successors, assigns and other legal representatives, hereby unconditionally and irrevocably agrees that such Releasor shall not sue any Releasee on the basis of any Claim released, remised and discharged pursuant to the foregoing provisions of this paragraph, and if any Releasor violates the foregoing covenant, such Releasor, for itself and its successors and assigns, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and cost incurred by any Releasee as a result of such violation.

LIFT OF AUTOMATIC

Subject to the Financing Orders, if any Event of Default then exists, the automatic stay shall be modified or vacated to

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STAY: BR 4001 (c)(1)(B)(iv) LBR 4001-2	permit Administrative Agent and the Lenders to exercise all rights and remedies under this Agreement, the other Loan Documents or Applicable Law, without notice, application or motion, hearing before, or order of the Bankruptcy Court.
PLAN FILING DEADLINE: BR 4001(c)(1)(B)(vi) LBR 4001-2	Plan and Disclosure Statement must be filled with 180 days of the petition date.

III. DISCLOSURE PURSUANT TO BANKRUPTCY RULE 4001 AND COMPLIANCE WITH LBR 4001-2

37. The provisions described in Bankruptcy Rule 4001 (c)(1)(B)(i)-(xi), to the extent applicable, are set out in the following sections of the DIP Credit Agreement and or the Interim Order:

- *Grant of a Priority Claim or Lien on Property of the Estate*: Interim Order ¶¶ 2(d) and 2(e).
- *Waiver or Modification of Bankruptcy Code Provisions or Applicable Rules Relating to Automatic Stay*: Interim Order ¶ 7, ¶ 19 and ¶ 23.
- *Waiver or Modification of Applicability of Nonbankruptcy Law Relating to Perfection of Lien on Property of Estate or on Foreclosure or Other Enforcement of Lien*: Interim Order ¶ 23.
- *Indemnification or Release of any Entity*: DIP Credit Agreement ¶ 2.14(d), ¶ 11.1., ¶ 11.15, ¶ 11.28, and ¶ 12.7; Interim Order ¶ 13.
- *Release, Waiver, or Limitation of any Right under § 506(c)*. Interim Order ¶ 2(d).
- *Granting of a Lien on any Claim or Cause of Action Arising under §§ 544, 545, 547, 548, 549, 553(b), 723(a)* or 724(a): None.

38. As discussed more fully below, the provisions of the DIP Credit Agreement are all justified under the circumstances of these Cases. Prepetition, the Debtors were unable to obtain financing on more favorable terms from sources other than Ally Bank. The DIP Lender has agreed to lend $185 million, but would not do so without the protections and priorities sought in this Motion. Without such financing, the Debtors' ability to provide patient care and ultimately reorganize and/or consummate the sale of all of their assets will be severely jeopardized. The Debtors thus respectfully submits that the facts and circumstances of these Cases demonstrates

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that the above-described provisions, which are set forth in greater detail below, are necessary and appropriate and should be authorized and approved by this Court.

IV. BACKGROUND

39. On August 14, 2018, (the "Petition Date"), the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their property as Debtors in possession pursuant to §§1107(a) and 1108 of the Bankruptcy Code.

40. Additional background facts on the Debtors, including an overview of the Debtors' business, information on the Debtors' corporate structure, information on the Debtors' debt structure and information on the events leading up to the commencement of these Cases is contained in the Rich Adcock Declaration filed in support of the First Day Motions and the Chou Decl. contemporaneously filed in support of this Motion.

41. Additionally, the Debtors have agreed to promptly begin a process to sell certain of their assets at an auction or auctions under § 363 of the Bankruptcy Code, each sale to occur through use of "stalking horse" bidder or a private sale subject to approval by the Court.

V. JURISDICTION

42. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

VI. RELIEF REQUESTED

43. By this Motion, the Debtors seeks entry of the DIP Orders, *inter alia*:

(i) under §§ 363, 364(c) and 364(d) of the Bankruptcy Code, authorizing the Debtors, as Borrower, to obtain senior secured superpriority priming Debtors in possession financing under the terms and conditions of the DIP Credit Agreement and the other DIP Financing Agreements, consisting of a loan facility in an aggregate amount of $185 million, from Ally Bank, as DIP Lender, including interim financing in the amount of $30 million, and authorizing the Debtors to enter into and comply in all respects with the DIP Financing Agreements, and approving the terms and conditions of the DIP Financing Agreements;

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(ii) under §§ 363 and 364 of the Bankruptcy Code, authorizing the Debtors to use the proceeds of the DIP Facility in a manner consistent with the terms and conditions of the DIP Financing Agreements, and in accordance with the Initial Agreed Budget, (i) to fund these Cases, (ii) to pay fees and expenses associated with the DIP Facility, and (iii) for working capital and other corporate purposes of the Debtors;

(iii) under §§ 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code, as security for the repayment of the borrowings and all other obligations arising under the DIP Financing Agreements, authorizing the Debtors to grant to the DIP Lender (first priority priming, valid, perfected and enforceable liens, subject to certain exceptions, including the Carve Out, upon substantially all of the Debtors' property, as described below and in the DIP Orders, the DIP Credit Agreement and the other DIP Financing Agreements;

(iv) under § 364(c)(1) of the Bankruptcy Code, granting in favor of the DIP Lender a superpriority administrative expense claim (the "DIP Superpriority Claim") in respect of all Obligations under (and as defined in) the DIP Credit Agreement (the "DIP Obligations"), subject only to the payment of the Carve Out, and that only on entry of a final order;

(v) under §§ 361, 363(c)(2) and 363(e) of the Bankruptcy Code, authorizing the use of Cash Collateral by the Debtors, in accordance with the Initial Agreed Budget, and under the terms set forth in the DIP Orders;

(vi) proceeds of sales of Hospitals and other assets constituting Collateral shall be held in escrow, shall constitute Collateral and shall only be distributed, in whole or in part to the Prepetition Secured Creditors with the consent of the DIP Lender and upon further order of this Court;

(vii) under §§ 361, 363(e) and 364(d)(1) of the Bankruptcy Code, authorizing the granting the Prepetition Secured Creditors, of the Adequate Protection Liens and Adequate Protection Claims to the extent of any Diminution in Value of the Prepetition Secured Creditor's interests in the Prepetition Collateral, and having the priorities set forth in the DIP Orders; as well as additional adequate protection in the form of the payment of fees and expenses incurred by the Prepetition Secured Creditors;

(vii) under § 362 of the Bankruptcy Code, modifying the automatic stay to the extent necessary to implement and effectuate the terms and provisions of the DIP Orders, the DIP Credit Agreement and the other DIP Financing Agreements;

(viii) scheduling the Final Hearing on the earliest date permitted under the Bankruptcy Rules and available in this Court after entry of the Interim Order to consider entry of the Final Order granting the relief requested in the Motion on a final basis, including final approval of the Debtors' use of Cash Collateral and entry into the

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DIP Credit Agreement, and approving the form of notice with respect to the Final Hearing; and

(ix) waiving any applicable stay (including under Bankruptcy Rule 6004) and providing for the immediate effectiveness of the DIP Orders.

VII. BASIS FOR RELIEF

A. The Debtors' Need for Financing and Use of Cash Collateral

44. As indicated above, the financing requested herein is being requested for up to 12 months or the duration of these reorganization cases. The Debtors' believe the eleven month time frame is the necessary period of time to facilitate the successful operation of the Hospitals in the hands of new owners, given their history and projection of continuing operating losses until all of the Debtors' major assets have been sold. The Debtors see little to no prospect of a reorganization as a not-for-profit enterprise that is self-sustaining on a cash flow basis and capable of supporting a capital structure sufficient to service the required capital improvements needed to provide a safe and efficient hospital and medical services delivery system that effective, safe and efficient for the benefit of the communities it may serve. Despite the proposed expedited term of these Cases, however, such financing is critical to the Debtors' operation and their ability to preserve the value of the assets pending the auction and approval of a sale. The proposed financing under the DIP Facility is needed to maintain an appropriate level of liquidity and help fund the Debtors' day-to-day operations.

45. The Debtors require sufficient liquidity during these Cases to fund working capital and general corporate requirements for essential, day-to-day operations to ensure continuity of patient care, to preserve and maintain the value of the Debtors' assets (including the Prepetition Collateral). The Debtors also need additional cash to fund the formal reorganization process in an manner consistent with the Debtors' receivables and payables balances, all in accordance with the Initial Agreed Budget for the benefit of the estate and creditors, including the Prepetition Secured Creditors.

46. The Debtors requires the immediate use of cash on hand, the DIP Facility, and other income generated from their commercial activities in order to maintain the quality of patient

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care and the day-to-day business operations, and to pay employees and vendors on a timely basis pending transition of timely control over the Hospitals to new parties, if necessary, by sales of the Debtors' assets outside of the plan process. Absent such relief from the Court, the Debtors will not have sufficient liquidity to ensure uninterrupted business operations -- which could affect patient care -- and will suffer a substantial loss of asset value to the detriment of all parties in interest. It is therefore critical that the Debtors have the initial $30 million of the DIP Facility in place on an interim basis in order to ensure that the Debtors have enough cash to maintain patient care services and to maintain their healthcare and to assure adequate trade credit to prevent accelerating cash losses during operation. It is also obviously critical that the Debtors be able to demonstrate to their staff, vendors, and patients that the Hospital will continue to provide high quality patient care, and to function without interruption and that the Debtors will continue to pay vendors in the ordinary course of business. Absent such a showing—and in the event of any interruption or delay in the business—the Debtors' patients could suffer and staff will likely pursue opportunities with competitors, which would cripple the Debtors' business.

47. The interests of the Prepetition Secured Creditors will be protected and enhanced by the Debtors' use of Cash Collateral and the DIP Facility because such relief will ensure the uninterrupted operation of the Debtors' hospitals and operations that secure the Prepetition Secured Creditors claims, thus protecting the Debtors' revenue streams and protecting the going concern value of the Debtors. In the absence of approval of the DIP Facility, the Debtors' patients, for whom time is of the essence, would likely discontinue seeking treatments with the Debtors if the Debtors' business operations were halted, even briefly, and the Debtors were unable to timely fulfill their medical obligations. The DIP Facility is critical to the Debtors' ability to continue to provide patient care and maintain supportive business functions during the chapter 11 process. Moreover, employees, doctors and patients will expect the Debtors to have more than ample access to liquidity in order to continue patient care services and other business operations.

48. The ability of the Debtors to finance their business operations and the availability to the Debtors of sufficient working capital and liquidity is vital to their ability to continue

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providing needed patient care services. If the Debtors are unable to obtain such financing and to use Cash Collateral for such purposes, the recoveries to all creditors, including the Prepetition Secured Creditors, would be greatly reduced because the value of the Debtors' estate would decline dramatically. Entry of the Interim Order is therefore (i) critical to the Debtors' ability to succeed in their plan to transition ownership and control of the Hospitals into stronger hands freed from legacy liabilities pursuant to the Bankruptcy Code, (ii) in the best interests of the Debtors and their estates, and (iii) necessary to avoid irreparable harm to the Debtors, their patients, their creditors, and their assets, business, goodwill, reputation and employees.

B. The Debtors' Entry into the DIP Facility Is Authorized Under § 364 of the Bankruptcy Code

49. Section 364 of the Bankruptcy Code gives bankruptcy courts the power to authorize post-petition financing for a chapter 11 debtors in possession. *See In re Defender Drug Stores. Inc.*, 126 B.R. 76, 81 (Bankr. D. Ariz. 1991), *aff'd.*, 145 B.R. 312 (B.A.P. 9th Cir. 1992).

50. Bankruptcy courts have the power to authorize secured postpetition financing under § 364 of the Bankruptcy Code, which provides, in pertinent part, as follows:

> (c) If the [Debtors in possession] is unable to obtain unsecured credit allowable under section 503(b)(1) of this title as an administrative expense, the court, after notice and a hearing, may authorize the obtaining of credit or the incurring of debt -
>
> (1) with priority over any or all administrative expenses of the kind specified in section 503(b) or 507(b) of this title;
>
> (2) secured by a lien on property of the estate that is not otherwise subject to a lien; or
>
> (3) secured by a junior lien on property of the estate that is subject to a lien.
>
> (d)(1) The court, after notice and a hearing, may authorize the obtaining of credit or the incurring of debt secured by a senior or equal lien on property of the estate that is subject to a lien only if
>
> (A) the [Debtors in possession] is unable to obtain such credit otherwise; and
>
> (B) there is adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted.

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11 U.S.C. § 364(c)-(d)(1).

51. "Having recognized the natural reluctance of lenders to extend credit to a company in bankruptcy, Congress designed [section] 364 to provide 'incentives to the creditor to extend post-petition credit.'" *Defender Drug Stores,* 126 B.R. at 81 (quoting *Unsecured Creditors' Comm. v. First Nat'l Bank & Trust Co. of Escanaba (In re Ellingsen MacLean Oil Co.),* 834 F.2d 59, 603 (6th Cir. 1987). *cert. denied,* 488 U.S. 817 (1988)). The incentives enumerated in § 364 are not intended to be an exhaustive list of the inducements that a court may grant. *Id.* In fact, it is not uncommon for a court to approve a lending arrangement containing terms that far exceed those authorized by § 364. *Id.*

52. Generally, courts apply a three-part test to determine whether a Debtors in possession may obtain credit under § 364(c) of the Bankruptcy Code. Under such test, the Debtors may incur postpetition financing under the DIP Facility pursuant to § 364(c) if it demonstrates that (a) it cannot obtain credit unencumbered or without superpriority status, (b) the DIP Facility is necessary to preserve the assets of their estates, and (c) the terms of the DIP Facility are fair, reasonable and adequate given the circumstances of the Debtors, as Borrower, and the proposed lenders. *See In re Crouse Group. Inc.*, 71 B.R. 544, 549-50 (Bankr. E.D. Pa. 1987); *and In re Aqua Assocs.*, 123 B.R. 192, 195-96 (Bankr. E.D. Pa. 1991).

53. In addition, § 364(d)(1) of the Bankruptcy Code authorizes a debtor in possession to incur superpriority senior secured or "priming" liens if (a) the debtor is unable to obtain financing from another source, and (b) the interests of the secured creditors whose liens are being primed by the postpetition financing are adequately protected. 11 U.S.C. § 364(d)(1); *see also Aqua Assocs.*, 123 B.R. at 196. Additionally, consent to priming by the prepetition secured creditors obviates the need to show adequate protection. *See Anchor Sav. Bank FSB v. Sky Valley. Inc.*, 99 B.R. 117, 122 (N.D. Ga. 1989) ("[B]y tacitly consenting to the superpriority lien, those [undersecured] creditors relieved the Debtors of having to demonstrate that they were adequately protected."). Accordingly, the Debtors may incur "priming" liens under the DIP Facility if it is unable to obtain unsecured or junior secured credit and either (i) the prepetition secured creditors have consented or (ii) their interests in the collateral are adequately protected.

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54. Against this statutory backdrop, courts will evaluate the facts and circumstances of a debtor's case and accord significant weight to the necessity for obtaining the financing. *See, e.g., In re Ames Dep't Stores. Inc.*, 115 B.R. 34, 40-41 (Bankr. S.D.N.Y. 1990). Debtors in possession are generally permitted to exercise their business judgment consistent with their fiduciary duties when evaluating the necessity of proposed protections for a party extending credit under § 364 of the Bankruptcy Code. *Id.* at 38.

(1) The Debtors are Unable to Obtain Unsecured or Junior Secured Credit

55. To show that the credit required is not obtainable on an unsecured basis, the Debtors need only demonstrate "by a good faith effort that credit was not available" without the protections afforded to potential lenders by § 364(c) or (d) of the Bankruptcy Code. *Bray v. Shenandoah Fed. Sav. & Loan Ass'n (In re Snowshoe Co.)*, 789 F.2d 1085, 1088 (4th Cir. 1986); *see also Anchor Sav. Bank*, 99 B.R. at 120 n.4 (noting that the Debtors satisfied the requirement of § 364(d) by "approach[ing] all lenders reasonably likely to be willing to make a junior or unsecured loan"); *Ames*, 115 B.R. at 37-40 (Debtors in possession must show that it has made a reasonable effort to seek other sources of financing under §§ 364(a) and (b) of the Bankruptcy Code). Thus, "[the] statute imposes no duty to seek credit from every possible lender before concluding that such credit is unavailable." *Snowshoe*, 789 F.2d at 1088; *see also In re Sky Valley, Inc.*, 100 B.R. 107,113 (Bankr. N.D. Ga. 1998) (finding that "it would be unrealistic and unnecessary to require [the Debtors] to conduct such an exhaustive search for financing" where the Debtors "suffers some financial stress and has little or no unencumbered property"), *aff'd sub nom., Anchor Sav. Bank*, 99 B.R. at 117.

56. As discussed above and in the Chou Declaration filed in support of this Motion, the Debtors' assets are subject to the Prepetition Liens asserted by the Prepetition Secured Creditors. Because of the Debtors' prepetition debt, obtaining the financing needed as unsecured debt on an administrative priority basis, or as debt which would be secured solely by liens junior to the liens of the Prepetition Secured Creditors, was not a viable option, especially from a third party who did not already have a financial interest in the Debtors to protect. The Debtors thus

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concluded that adequate alternative financing terms more favorable than those to be provided by the DIP Lender under the DIP Facility are currently unobtainable.

(2) The Prepetition Secured Creditors' Interests Are Adequately Protected

57. If the Debtor is unable to obtain credit under the provisions of § 364(c) of the Bankruptcy Code, the Debtor may obtain credit secured by a senior or equal lien on property of the estate that is already subject to a lien (*i.e.*, a priming lien). *See* 11 U.S.C. § 364(d). Such relief may be granted so long as there is adequate protection of any pre-existing secured creditor's interests in the property on which the senior lien is supposed to be granted. *See id.; see also Aqua*, 123 B.R. at 196. Although the Bankruptcy Code does not explicitly define "adequate protection," § 361 of the Bankruptcy Code provides that it may take the form of (1) a cash payment or periodic cash payments to the extent that there is a decrease in the lien holder's property interest; (2) an additional or replacement lien to the extent that there is a decrease in the lien holder's property interest; or (3) other relief that will result in a secured party's realizing the indubitable equivalent of its property interest. *See* 11 U.S.C. § 361.

58. Where a debtor's proposed use of funds from additional postpetition financing augment the value of the secured creditor's collateral, adequate protection exists. *Sky Valley,* 100 B.R. at 114 (noting the flexible nature of § 361(3) and collecting cases). The Debtors believe that the measures of protection set forth in the DIP Facility and the Interim Order constitute adequate protection. In addition to replacement liens on substantially all assets, junior in priority only to the DIP Liens and any existing senior liens (and subject to the Carve Out), the Prepetition Secured Creditors will receive superpriority administrative expense claims. Moreover, the use of any DIP Facility proceeds shall be solely in accordance with the Initial Agreed Budget and subject to borrowing base requirements. Accordingly, the DIP Facility not only maintains the value of the collateral in which the Prepetition Secured Creditors are receiving replacement liens, it increases the collateral base and strengthens the value of the Debtors' business.

59. Moreover, an "equity cushion" can provide the Prepetition Secured Creditors with adequate protection. "Under the 'equity cushion' theory, if a debtor has equity in a property sufficient to shield the creditor from either the declining value of the collateral or an increase in

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the claim from accrual of interest or expenses, then the creditor is adequately protected." *See Equitable Life Assurance Soc. v. James River Assocs. (In re James River Assocs)*, 148 B.R. 790, 796 (E.D. Va. 1992) (*citing In re Kost*, 102 B.R. 829, 831 (D. Wyo. 1989); *In re Lane*, 108 B.R. 6, 7 (Bankr. D. Mass. 1989)). "Case law has almost uniformly held that an equity cushion of 20% or more constitutes adequate protection. Case law has almost as uniformly held that an equity cushion under 11% is insufficient to constitute adequate protection. Case law is divided on whether a cushion of 12% to 20% constitutes adequate protection." *James River Assocs.*, 148 B.R. at 796 (*quoting Kost*, 102 B.R. at 831-32 (internal citations omitted)); *see also In re Rogers Dev. Corp.*, 2 B.R. 679, 685 (Bankr. E.D. Va. 1980) (15% to 20% equity cushion held to be sufficient to provide adequate protection to a creditor even though the Debtors had no equity in the property); *but see In re Schaller*, 27 B.R. 959, 961-62 (W.D. Wis. 1983) (17% to 18% cushion held not to offer adequate protection where cushion was being rapidly eroded by the daily accrual of interest on the debt); *In re Pitts*, 2 B.R. 476, 478 (Bankr. C.D. Cal. 1979) (holding a 15% cushion to be "minimal"). Here, the Debtors believe that the book value of the collateral is approximately $840 million, which provides more than a 20% equity cushion for the Prepetition Secured Creditors, even if the entire value of the Carve Out is included in the debt used to calculate the equity cushion. This value of the collateral package includes:(a) real property and improvements currently utilized as hospitals, (b) accounts receivables with a net book value of approximately $220 million, (c) real property currently utilized as medical office buildings with an estimated net book value of $110 million, and (d) accounts receivables related to workers compensation cases, with a value of no less than $1 million.

60. Finally, as mentioned above, consent may take the place of adequate protection under § 364(d)(1) of the Bankruptcy Code, and the Debtors hope to obtain consent of at least some of the Prepetition Secured Creditors to use the Cash Collateral, at least on an interim basis, and enter into the DIP Facility on the terms set forth in the DIP Orders.

(3) The DIP Facility Is Fair, Reasonable, and in the Best Interests of the Estate

61. The Debtors believes that the terms and conditions of the DIP Facility are fair and reasonable. The DIP Facility is necessary to support the Debtors' ongoing operations pending

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approval and confirmation of a plan will signal the Debtors' continued strength to compete in the marketplace for new patients. The DIP Facility will also ensure the continued high quality care to the Debtors' patients and payments to critical suppliers. Furthermore, as is more fully explained in the Chou Declaration filed in support of this Motion, the Debtors, with Cain's assistance, undertook an effort to obtain the best available terms for debtors in possession financing. Based upon these efforts, the interest rates and fees appear to be consistent with the existing market for debtor in possession loans of this nature. The Debtors believe that the proposed DIP Facility is the best financing available and well within the exercise of sound business judgment.

62. Bankruptcy courts consistently defer to a debtor's business judgment on most business decisions, including the decision to borrow money, unless such decision is arbitrary and capricious. *See Trans World Airlines. Inc. v. Travellers Int'l AG. (In re Trans World Airlines, Inc.),* 163 B.R. 964, 974 (Bankr. D. Del. 1994) (noting that an interim loan, receivables facility and asset-based facility were approved because they "reflect[cd] sound and prudent business judgment... [were] reasonable under the circumstances and in the best interests [of the Debtors] and its creditors"); *In re Simasko Prod. Co.*, 47 B.R. 444, 449 (Bankr. D. Colo. 1985) ("In exercising [the Debtors'] business judgment of conducting its drilling operations, it has found it necessary to obtain loans to make these endeavors possible."). In fact, "[m]ore exacting scrutiny [of the Debtors' business decisions] would slow the administration of the Debtors' estate and increase its cost, interfere with the Bankruptcy Code's provision for private control of administration of the estate, and threaten the court's ability to control a case impartially." *Richmond Leasing Co. v. Capital Bank. N.A.*, 762 F.2d 1303, 1311 (5th Cir. 1985); *see also Simasko Prod.*, 47 B.R. at 449 ("Business judgments should be left to the board room and not to this Court." (quoting *In re Lifeguard Indus. Inc.*, 37 B.R. 3, 17 (Bankr. S.D. Ohio 1983)). Consistent with this authority, the Debtors respectfully submits that the Court should approve the Debtors' decision to accept and enter into the proposed DIP Facility.

63. Moreover, the Debtors have made a concerted good faith effort to obtain credit on the most favorable terms available. Specifically, prepetition, in connection with the marketing of the Debtors' assets, the Debtors also sought debtor in possession financing from interested

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parties, none of whom would agree to provide financing on a junior or *pari passu* basis. Given the dire circumstances facing the Debtors, the DIP Facility described in this Motion was ultimately determined to provide the requisite liquidity on the most advantageous terms given the circumstances. Absent consent, distracting and costly litigation over the propriety of any priming or *pari passu* third party debtor in possession financing would likely have ensued, with potentially severe consequences for the Debtors, their estates, and creditors. Against this backdrop, the Debtors carefully evaluated the proposed financing structure from the DIP Lender, engaged in negotiations with the DIP Lender regarding the proposed terms, and eventually agreed to the DIP Lender's proposal as the proposal best suited to the Debtors' needs. The terms and conditions of the DIP Facility were negotiated by the parties (and their legal and financial advisors) in good faith and at arms' length, and, as outlined above, were instituted for the purpose of enabling the Debtors to meet ongoing operational expenses while in chapter 11 and to preserve the going concern status of the Debtors as well as the value of the Prepetition Collateral. Accordingly, the DIP Lender should be provided with the benefit and protection of § 364(c) of the Bankruptcy Code, such that if any of the provisions of the DIP Facility are later modified, vacated, stayed or terminated by subsequent order of this or any other Court, the DIP Lender will be fully protected with respect to any amounts previously disbursed.

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C. The Use of Cash Collateral Is Appropriate Under the Current Circumstances and Should Be Authorized under §§ 363(c)(2) and (e)

64. Section 363(c)(2) of the Bankruptcy Code sets forth the requirements for a debtor's proposed use of cash collateral. Specifically, § 363(c)(2) provides, in pertinent part:

> The trustee may not use, sell, or lease cash collateral under paragraph (1) of this subsection unless - (A) each entity that has an interest in such cash collateral consents; or (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section.

11 U.S.C. § 363(c)(2). Additionally, § 105(a) of the Bankruptcy Code provides that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a).

65. Further, § 363(e) provides that "on request of an entity that has an interest in property . . . proposed to be used, sold or leased, by the trustee, the court, with or without a hearing, shall prohibit or condition such use, sale, or lease as is necessary to provide adequate protection of such interest." 11 U.S.C. § 363(e). As described below, the Debtors have proposed a reasonable package of adequate protection for both cash collateral and their other assets securing the Prepetition Secured Debt. Conditioning the Debtors use of cash collateral in the manner proposed is an entirely equitable arrangement designed to protect patients and the Hospitals as operating business units.

66. It is well settled that it is appropriate for a chapter 11 debtor to use cash collateral for a reasonable period of time for the purpose of maintaining and operating its property. *In re Oak Glen R-Vee*, 8 B.R. 213, 216 (Bankr. C.D. Cal 1981); *In re Tuscon Industrial Partners*, 129 B.R. 614 (9th Cir. BAP 1991). Where, as here, the debtor is operating a business, it is extremely important that the access to cash collateral be allowed to facility the survival of the debtors business units as going concerns: "the purpose of Chapter 11 is to rehabilitate debtors and generally access to cash collateral is necessary to operate a business." *In re Dynaco Corp.*, 162 B.R. 389 (Bankr. D.N.H. 1993), quoting *In re Stein*, 19 B.R. 458, 459 (Bankr. E.D. Pa. 1982).

67. The Court should authorize the Debtors to use Cash Collateral, whether existing as of the Petition Date or arising thereafter based on the conversion of existing non-cash collateral into cash. It is essential to the continued operation of the Debtors that they obtain authority to use Cash Collateral to fund payroll and other operating needs, including the costs of administration of these Chapter 11 Cases. Currently, the Debtors' free cash is manifesting insufficient for operating until postpetition receivables have been generated, and the prepetition accounts and government receivables on which the Debtors would ordinarily rely upon to fund operations consist entirely of the Prepetition Secured Lenders' cash collateral.

68. If the Debtors are permitted to use Cash Collateral to fund ongoing business operations and administration of these Cases, the Debtors will preserve the value of the Debtors' assets as a going concern. Thus, the Debtors can continue to operate and provide patient care, but only if they are allowed to use Cash Collateral in the course of the day-to-day operations.

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Without such use, the detrimental result to the value of the estate will be rapid and ultimately disastrous, given the nature of the Debtors' business. Access to Cash Collateral is crucial to the Debtors' ability to provide patient care, and to avoid immediate and irreparable harm to the value of the estate and the creditors, and ongoing business operations both before and after the Final Hearing.

69. The Debtors respectfully submits that the proposed use of Cash Collateral, in conjunction with the DIP Facility, is necessary for the Debtors to have sufficient liquidity during the chapter 11 process to preserve the value of their assets and property (including the Prepetition Collateral). The Debtors' proposed use of Cash Collateral thus prejudices no one; it affirmatively and directly benefits the Debtors' estates and creditors, including the Prepetition Secured Creditors, and enhances the prospects of a successful outcome in this case.

D. The Proposed Adequate Protection for the Pre-petition Lenders Is Appropriate under §§ 105, 361(d), and 363(e).

70. In considering whether to authorize use of cash collateral, a court generally must find that the interests of the holder of the secured claim are adequately protected. *See* 11 U.S.C. § 363(e). Section 362(d)(1) of the Bankruptcy Code provides for adequate protection of interests in property due to the imposition of the automatic stay, *In re Continental Airlines*, 91 F.3d 553, 556 (3d Cir. 1996) (*en banc*), and § 361 of the Bankruptcy Code provides examples of possible forms of adequate protection, such as granting replacement liens and administrative claims. However, it is the courts that must decide what constitutes sufficient adequate protection on a case-by-case basis. *In re Mellor,* 734 F.2d 1396, 1400 (9th Cir 1984); *In re Macombs Properties VI, Ltd.,* 88 B.R. 261, 265 (Bankr. C.D. Cal. 1988). *See also*, *In re Swedeland Dev. Grp., Inc.*, 16 F.3d 552, 564 (3d Cir. 1994); *In re Satcon Tech. Corp*., No. 12-12869 (KG), 2012 WL 6091160, at *6 (Bankr. D. Del. Dec. 7, 2012); *In re N.J. Affordable Homes Corp*., No. 05-60442 (DHS), 2006 WL 2128624, at *14 (Bankr. D.N.J. June 29, 2006); *In re Columbia Gas Sys., Inc.,* Nos. 91-803, 91-804, 1992 WL 79323, at *2 (Bankr. D. Del. Feb. 18, 1992); and *In re Dynaco Corp*., 162 B.R. 389, 394 (Bankr. D.N.H. 1993) (citing 2 Collier on Bankruptcy ¶ 361.01[1] at 361–66 (15th ed. 1993)).

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71. In determining the appropriateness of proffered adequate protection, courts have frequently stressed the importance of a promoting a debtor's business reorganization. *In re O'Connor*, 808 F.2d 1393, 1398 (10th Cir. 1987). Section 363(e) of the Bankruptcy Code provides that "on request of an entity that has an interest in property proposed to be used, sold, or leased, by the trustee [or Debtors in possession], the court, with or without a hearing, shall prohibit or condition such use, sale, or lease as is necessary to provide adequate protection of such interest." 11 U.S.C. § 363(e). The Debtors' use of Cash Collateral is conditioned upon adequate protection being provided to the Prepetition Secured Creditors, as set forth in the proposed DIP Orders.

72. Here the Debtors propose four forms of adequate protection for their secured lenders: (1) adequate protection payments, (2) replacement lien, (3) preservation of Debtors' equity cushion through continuous maintenance of real property and (4) super priority expenses of administration for any proven Diminution of Value, as follows. First, use of DIP Facility proceeds in accordance with the Initial Agreed Budget attached to the Chou Declaration as Exhibit 2 to provide adequate protection payments equivalent to postpetition, non-default interest on the outstanding balances of the MTI Obligations and MOB Financings, plus reasonable attorneys' fees and financial advisor fees for one set of attorneys and financial advisors for each of U.S. Bank as Trustee and Collateral Agent for the Working Capital Notes, UMB Bank as Master Trustee for the MTI Obligations, and for the MOB Notes.

73. Second, to the extent of the Diminution of Value of the interest of the Prepetition Secured Creditors in the Prepetition Collateral the Debtors propose to provide junior replacement liens. The Prepetition Secured Creditors shall have, subject to the terms and conditions set forth below, pursuant to sections 361, 363(e), and 364(d) of the Bankruptcy Code additional and replacement security interests and Liens in the DIP Collateral, excluding Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA and Bankruptcy Recoveries (the "Prepetition Replacement Liens") which shall be junior only to the Carve Out and the DIP Liens securing the DIP Obligations, *provided, however,* that any Prepetition Replacement Liens granted to U.S. Bank, as Series 2015 and Series 2017 Note Trustee, on account of the Diminution in Value of any

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Prepetition Collateral in which it holds senior priority security interests shall be senior, to the extent otherwise consistent with the Intercreditor Agreement, to the replacement liens granted to any other Prepetition Secured Creditors and junior only to the Carve Out and the DIP Liens securing the DIP Obligations. With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or 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. "Bankruptcy Recoveries" shall mean any claims and causes of action to which the Debtor may be entitled to assert by reason of any avoidance or other power vested in or on behalf of the Debtor or the estate of the Debtor under Chapter 5 of the Bankruptcy Code and any and all recoveries and settlements thereof.

74. Third, it is the Debtors' business judgment based upon the current book value of the Debtors' assets, that the realizable value of the prepetition collateral securing the obligations due the Prepetition Secured Lenders, exceeds the value of such obligations. To preserve the prepetition value of the Debtors real property and improvements, the Debtors will use DIP Facility proceeds in accordance with the Initial Agreed Budget and in the ordinary course to continue to maintain all of the pre-petition real property securing the Debtors' obligations due to the Prepetition Secured Creditors in good repair.

75. Fourth, to the extent of the Diminution of Value of the allowed interests of the Prepetition Secured Creditors in the Prepetition Collateral, the Prepetition Secured Creditors shall have an allowed superpriority administrative expense claim (the "Prepetition Superpriority Claim"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, and (iii) the Carve Out), in the Chapter 11 Case under §§ 364(c)(1), 503(b), and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising, of any kind or nature whatsoever including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to §§ 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d), 552, 726, 1113, and 1114 of the Bankruptcy Code, and, upon entry of the Final

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Order, § 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy, or attachment, *provided, however,* that any Prepetition Superpriority Claim granted to the Note Trustee on account of the Diminution in Value of any Prepetition Collateral in which it holds senior priority security interests shall be senior, to the extent otherwise consistent with the Intercreditor Agreement, to any Prepetition Superpriority Claim granted to other Prepetition Secured Creditors. Other than the DIP Liens, the DIP Superpriority Claim, and the Carve Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under §§ 328, 330, and 331 of the Bankruptcy Code, or otherwise, that have been or may be incurred in the Chapter 11 Case, or in any Successor Case, will be senior to, prior to, or on parity with the Prepetition Superpriority Claim (for purposes hereof, such liens will be deemed part of the ‘‘Prepetition Replacement Liens”).

76. Thus, use of the Cash Collateral along with use of the DIP Financing proceeds in accordance with the Initial Agreed Budget will preserve the going concern value of the Debtors’ assets. Courts routinely have held that adequate protection may be demonstrated by a simple showing that the going concern value of the Debtors is preserved by the Debtors’ continuing operations and use of cash collateral. *See, e.g., In re Snowshoe Co., Inc.*, 789 F.2d at 1087-89 (trustee reported that ski resort would lose 50% to 90% of its fair market value if it ceased operations). Additionally, as mentioned above, the Debtors will be granting replacement liens and superpriority claims as adequate protection, which is commonplace. *See, e.g., MBank Dallas N.A. v. O’Connor (In re O’Connor),* 808 F.2d 1393, 1396-98 (10th Cir. 1987) (allowing the debtors to replace a lien on cash with a lien on property likely to be worth five times as much); *Owens-Corning Fiberglas Corp. v. Ctr. Wholesale, Inc. (In re Ctr. Wholesale. Inc.),* 759 F.2d 1440, 1450 (9th Cir. 1985) (observing that a lien on additional property of the debtors would likely constitute adequate protection for the secured creditor); *Wrecelesham Grange*, 221 B.R. at 981) (noting that a replacement lien of equal value on postpetition rents is adequate protection); *In re Stein*, 19 B.R. 458. 459 (Bankr. E.D. Pa. 1982) (continued lien on debtors’ crops, livestock and equipment resulted in an increase rather than a decrease in collateral, and debtors were

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granted authority to use cash collateral to meet operating expenses during chapter 11 proceedings). Finally, the MTI Obligations on one hand and the MOB Financing on the other each have an sufficient equity cushion arguably entitling them to postpetition interest, which they are being paid in the form of adequate protection payments. For the foregoing reasons, the Debtors respectfully submit that the adequate protection proposed by the Debtors (described in more detail above) and in the DIP Orders is appropriate and should be approved.

VIII. REQUEST FOR AN INTERIM AND FINAL HEARING

77. Pursuant to Bankruptcy Rule 4001(b)(2), the Debtors respectfully request that the Court set a date for the Interim hearing no later than September 5, 2018 and a Final Hearing 25 days from entry of the Interim Order or September 30, 2018, whichever is earlier and approve the provisions for notice of the Final Hearing and the objection procedures that are set forth in the Interim Order.

IX. THE NEED FOR IMMEDIATE RELIEF PENDING A FINAL HEARING

78. Bankruptcy Rule 4001 (b) provides that a final hearing on a motion for authorization to use cash collateral may not be commenced earlier than fourteen (14) days after service of such motion. Fed. R. Bankr. P. 4001(b)(2). Upon request, however, a court may conduct a preliminary expedited hearing on a motion and authorize the use of only that amount of cash collateral as is necessary to avoid immediate and irreparable harm to the estate pending a final hearing, based on the business exigencies of individual cases. *See id.* The Debtors submit that, for the reasons set forth herein, authority to use Cash Collateral on an interim basis as requested in the Motion is necessary to enable the Debtors to maintain ongoing business operations pending a resolution in these Cases.

X. WAIVER OF BANKRUPTCY RULES 6004(a) AND (h)

79. Should the Court grant the Motion and enter the DIP Orders, the Debtors seek a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the fourteen-day stay of an order authorizing the use, sale or lease of property under Bankruptcy Rule 6004(h).

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XI. NOTICE

80. Notice of this Motion has been provided to (i) the Office of the United States Trustee for the Central District of California, (ii) the Prepetition Secured Creditors and their counsel, (iii) the DIP Lender and its counsel, (iv) the Debtors' 50 largest unsecured creditors (including counsel if known), and (v) all parties requesting notices pursuant to Bankruptcy Rule 2002. The Debtors submit that no other or further notice need be provided.

81. No previous motion for the relief sought herein has been made to this or any other court.

XII. CONCLUSION

WHEREFORE, the Debtors respectfully request entry of an order (i) granting the relief requested herein; and (ii) granting the Debtors such other and further relief as the Court deems just and proper.

Dated: August 31, 2018

DENTONS US LLP
SAMUEL R. MAIZEL
JOHN A. MOE, II
TANIA MOYRON

By /s/ Samuel R. Maizel
Samuel R. Maizel

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EXHIBIT A

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Judge Ernest M. Robles **INTERIM 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**
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

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Upon the emergency motion (the "***DIP Motion***")[1], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") authorizing the Debtors to, among other things: *inter alia*:

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

(ii) Enter into a Debtor-in-Possession Credit Agreement (the "***DIP Credit Agreement***"), substantially in the form attached hereto as **Exhibit 1**, and other related financing documents (together with the DIP Credit Agreement and DIP Security Agreement, all as amended from time to time, the "***DIP Financing Agreements***"), by and among each of the Debtors and Ally Bank ("***Ally***"), in its capacity as agent ("***DIP Agent***") and in its capacity as lender ("***DIP Lender***,") under the DIP Credit Agreement;

(iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements, postpetition financing of up to $30,000,000 on a revolving basis (the "***Interim DIP Loan***") and

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

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seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this Interim Order;

(iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition financing of up to an additional $155,000,000, for a total of up to $185,000,000, on a revolving basis, which includes the Interim DIP Loan (the "***Final DIP Loan***," and together with the Interim DIP Loan, the "***DIP Loan***") and seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and the Final Order (as defined below);

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

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

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

(viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in accordance with the proposed initial agreed budget covering the initial 13 week period (the "***Initial Agreed Budget***") a copy of which is attached to the Chou Decl. as **Exhibit 2**, and as otherwise provided in the DIP Financing Agreements, this Interim Order and the Final Order;

(ix) Provide adequate protection to certain of the Prepetition Secured Creditors (defined herein) pursuant to the terms of this Interim Order and the Final Order for any diminution in value of their respective interests in the Prepetition Collateral (as defined herein)

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resulting from the DIP Liens (as defined herein) on the Prepetition Collateral, subordination to the Carve Out (as defined herein), Debtors' use of Cash Collateral, and other decline in value arising out of the automatic stay or the Debtors' use, sale, depreciation, or disposition of the Prepetition Collateral;

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

(xi) Schedule a final hearing (the "***Final Hearing***") to consider entry of an order (the "***Final Order***") granting the relief requested in the DIP Motion on a final basis and approving the form of notice with respect to the Final Hearing; and

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

The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief Financial Officer filed in support of the DIP Motion and Rich Adcock, CEO filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Motion, the proposed DIP Credit Agreement, and any the exhibits attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the hearing on this Interim Order (the "***Interim Hearing***"); and due and proper notice of the DIP Motion and Interim Hearing having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under the circumstances; and the Interim Hearing having been held and concluded; and it appearing that approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors pending the Final Hearing and is otherwise fair and reasonable and in the best interests of the Debtors, their estates and their creditors, and is essential for the preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this Interim Order having been withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

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BASED UPON THE RECORD ESTABLISHED AT THE INTERIM HEARING, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

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

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

C. **Committee Formation** As of the date hereof, the Office of the United States Trustee (the "***U.S. Trustee***") has not appointed any official committee of unsecured creditors in these Cases pursuant to section 1102 of the Bankruptcy Code (the "***Committee***").

D. **Notice**. Notice of the Interim Hearing and notice of the DIP Motion has been provided by the Debtors to: (i) the Office of the United States Trustee for the Central District of California (the "***U.S. Trustee***"); (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis; (vi) counsel to each of the Prepetition Secured Creditors (as defined below); (vii) counsel to the DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for the State of California, Charities Division; and (ix) all other known parties asserting a lien on the Debtors'

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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assets. Under the circumstances, such notice of the Interim Hearing and the DIP Motion constitute due, sufficient and appropriate notice and complies with sections 102(1) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b), and the Local Rules, and no other or further notice is required under the circumstances.

E. **Findings Regarding Corporate Authority**. As set forth in the resolutions accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate power and authority to execute and deliver the DIP Financing Agreements to which it is a party and to perform its obligations thereunder.

F. **Intercreditor Agreement**. Pursuant to section 510 of the Bankruptcy Code, but subject to the terms of this Interim Order and the Intercreditor Acknowledgment (as defined herein), the Amended and Restated Intercreditor Agreement dated September 1, 2017 (the "***Intercreditor Agreement***") and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors (including the relative priorities, rights and remedies of such parties with respect to the Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable, by the Debtors under this Interim Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of this Interim Order or the DIP Financing Agreements, unless expressly set forth herein or therein.

G. **Prepetition Secured Credit Facilities**. As of the Petition Date, the Debtors were indebted and liable to: UMB Bank, N.A., ("***UMB Bank***") as successor Master Trustee under the Master Trust for the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "***2005 Bonds***"), U.S. Bank National Association ("***U.S. Bank***" and together with UMB Bank, the "***Prepetition Agents***"), as the Collateral Agent and Note Trustee for the California Public Finance Authority Revenue Notes (Verity Health System) Series 2015 A, B, C, and D and the Series 2017 A and B (collectively, the "***Working Capital Notes***" and together with the 2005 Bonds, the "***MTI Obligations***"), Verity

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MOB Financing, LLC and Verity MOB Financing II, LLC (together, "***Verity MOB***" and collectively with the holders of the 2005 Bonds and the Working Capital Notes, the "***Prepetition Secured Creditors***") as holders of security interests in Verity Holdings prepetition accounts, including rents arising from the prepetition MOB Financing (the "***MOB Financing***", and together with the 2005 Bonds and Working Capital Notes, the "***Prepetition Secured Documents***") holding approximately $568,000,000 of debt (the "***Prepetition Secured Obligations***") secured by liens on virtually all of the Debtors' assets (the "***Prepetition Liens***").

H. **Prepetition Collateral**. In order to secure the Prepetition Secured Obligations, the Debtors granted security interests in and liens (the "***Prepetition Liens***") on substantially all of their assets (the "***Prepetition Collateral***").

I. **Findings Regarding the Postpetition Financing**.

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

(ii) **Good Cause; Need for Postpetition Financing**. Good cause has been shown for the entry of this Interim Order. An immediate need exists for the Debtors to obtain funds from the Interim DIP Loan in order to continue operations, continue to serve the Debtors mission to provide acute and specialized care for area patients and to administer and preserve the value of their estates. The ability of the Debtors to finance their operations, to preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors requires the availability of working capital from the Interim DIP Loan, the absence of which would

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immediately and irreparably harm the Debtors, their estates and their creditors and the possibility for a successful reorganization or sale of the Debtors' assets as a going concern or otherwise. The proposed Interim DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

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

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

K. **Application of Sale Proceeds of DIP Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property, including, without limitation, the Facilities and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The Sale Proceeds shall be held in escrow in one or more deposit accounts subject to a deposit account control agreement in favor of the DIP Lender (the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled with any other funds of the Debtors or otherwise. The DIP Lender is granted a first priority lien on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Interim Order. On the Revolving Loan Termination Date (as defined in the DIP Credit

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Agreement), the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors; provided, however, that upon any Debtor's request and with the consent of the DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors on terms and conditions that are acceptable to the DIP Lender in its sole discretion and in upon further order of this Court.

L. **Adequate Protection for Prepetition Secured Creditors.** The priming of the Prepetition Secured Creditors' Prepetition Liens to the extent set forth below pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens set forth below, the Prepetition Secured Creditors shall be entitled to receive adequate protection, as set forth in this Interim Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests in the Prepetition Collateral resulting from, among other things, the subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of such Prepetition Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively, and solely to the extent of such diminution in value, the "***Diminution in Value***"). The Prepetition Secured Creditors have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral to help fund the administration of the Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the record presented to the Court at the Interim Hearing, the terms of the proposed adequate protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Creditors; provided, however, that nothing herein shall limit the rights of any of the Prepetition Secured Creditors to hereafter seek new or different adequate protection.

M. **Extension of Financing**. The DIP Lender has indicated a willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement. The DIP Lender is

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acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit Agreement and the other DIP Financing Agreements. The DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Interim Order and the DIP Financing Agreements will not be affected by any subsequent reversal or modification of this Interim Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

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

(i) The DIP Lender has indicated a willingness to provide DIP Financing to the Debtors in accordance with the DIP Financing Agreements. The terms and conditions of the DIP Facility and the DIP Financing Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

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

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

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

O. **Relief Essential; Best Interest; Good Cause**. The relief requested in the DIP Motion (and as provided in this Interim Order) is necessary, essential, and appropriate for the preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors' estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement.

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Good cause has been shown for the relief requested in the DIP Motion (and as provided in this Interim Order).

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

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

2. **DIP Financing** Agreements.

(a) **Approval of Entry Into DIP Financing** Agreements. The Debtors are authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Interim Order and the DIP Financing Agreements, and to execute and deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Financing Agreements and the creation and perfection of the DIP Liens described in and provided for by this Interim Order and the DIP Financing Agreements. The Debtors are hereby authorized and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and other amounts described in the DIP Credit Agreement as such amounts become due and payable without need to obtain further Court approval, including closing fees, unused line fees, administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, and whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in this

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Interim Order or the DIP Financing Agreements. All collections and proceeds, whether from ordinary course collections, asset sales, debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Interim Order and the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, including, without limitation, commitment fees and reasonable attorneys' fees and disbursements as provided for in the DIP Credit Agreement, which amounts shall not otherwise be subject to approval of this Court.

(b) **Authorization to Borrow/and or Guarantee**. To enable them to continue to preserve the value of their estates and dispose of their assets in an orderly fashion, during the period prior to entry of the Final Order (the "***Interim Period***") and subject to the terms and conditions of this Interim Order, upon the execution of the DIP Credit Agreement and the other Financing Documents the Debtors are hereby authorized to borrow the Interim DIP Loan up to a total committed amount of $30,000,000 under the DIP Financing Agreements.

(c) **Conditions Precedent.** The DIP Lender shall have no obligation to make the Interim DIP Loan or any loan or advance under the DIP Credit Agreement during the Interim Period unless the conditions precedent to making such loan under the DIP Credit Agreement have been satisfied in full or waived by the DIP Lender in its sole discretion.

(d) **DIP Collateral; DIP Liens**. Effective immediately upon the entry of this Interim Order, on account of the Interim DIP Loan, the DIP Lender shall be and is hereby granted first-priority security interests and liens (which shall immediately be valid, binding, permanent, continuing, enforceable, perfected and non-avoidable) on all of the Debtors' property, including, without limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or after the Petition Date (collectively, the "***DIP Collateral***," and all such liens and security interests granted on or in the DIP Collateral pursuant to this Interim Order and the DIP Financing Agreements, the "***DIP Liens***"), but excluding the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA, and donor restricted funds held at Philanthropic Foundations. The DIP

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Collateral shall not be subject to any surcharge under section 506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this Court.

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

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

(g) **Protection of DIP Lender and Other Rights**. From and after the Petition Date, the Debtors shall use the proceeds of the extensions of credit under the DIP Facility only for the purposes specifically set forth in the DIP Credit Agreement and this Interim Order and in

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strict compliance with the DIP Budget (subject to any variances thereto permitted by the DIP Credit Agreement).

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

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Interim Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Interim Order and terminating upon the occurrence of an Event of Default (as defined below) and the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

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

(a) **Adequate Protection Replacement Liens**. To the extent of the Diminution in Value of the interest of the Prepetition Secured Creditors in the Prepetition Collateral, the Prepetition Secured Creditors shall have, subject to the terms and conditions set forth below, pursuant to sections 361, 363(e), and 364(d) of the Bankruptcy Code additional and replacement security interests and Liens in the DIP Collateral, excluding Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA and Bankruptcy Recoveries (the "***Prepetition Replacement Liens***"), which shall be junior only to the Carve Out, the DIP Liens securing the DIP Obligations, *provided, however*, that any Prepetition Replacement Liens granted to the Note Trustee on account of the Diminution in Value of any Prepetition Collateral in which it holds senior priority security interests shall be senior to the replacement liens granted to the other Prepetition Secured Creditors and junior only to the Carve Out and the DIP Liens securing the DIP Obligations. Proceeds of Prepetition Replacement Liens shall be allocated amongst the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

(b) **Adequate Protection Payments and Protections**. So long as there is no Default or Event of Default, under this Interim Order, the Final Order, or the DIP Financing Agreements, the Debtors are also authorized and directed to provide to the Prepetition Secured Creditors adequate protection payments in the form of postpetition, non-default contractual interest on the outstanding balances of the Prepetition Secured Obligations, provided that reference to the non-default contractual rate of interest does not include the Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents interest on the Prepetition Secured Obligations, excluding the Clean Fund Bonds and NR2 Petros Bonds, plus

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reimbursement of reasonable attorney's fees and financial advisor fees for one set of attorneys and financial advisors for each of (1) U.S. Bank as Trustee and Collateral Agent for the Working Capital Notes, (2) UMB Bank as the successor Master Trustee for the 2005 Bonds and (3) the MOB Notes (the "***Prepetition Adequate Protection Payments***"). Notwithstanding the foregoing, to the extent the Court determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code, that the Prepetition Adequate Protection Payments are not properly allocable to interest on one or more of the respective Prepetition Secured Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-characterized as payment(s) applied to the principal amount of the respective Prepetition Secured Obligations.

(c) **Prepetition Superpriority Claim**. To the extent of the Diminution in Value of the allowed interests of the Prepetition Secured Creditors in the Prepetition Collateral, the Prepetition Secured Creditors shall have an allowed superpriority administrative expense claim (the "***Prepetition Superpriority Claim***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, and (iii) the Carve Out), in the Chapter 11 Cases under sections 364(c)(1), 503(b), and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising, of any kind or nature whatsoever including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d), 552, 726, 1113, and 1114 of the Bankruptcy Code, and, upon entry of the Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy, or attachment. Other than the DIP Liens, the DIP Superpriority Claim, and the Carve Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under sections 328, 330, and 331 of the Bankruptcy Code, or otherwise, that have been or may be incurred in the Chapter 11 Case, or in any Successor Case, will be senior to, prior to, or on parity with the Prepetition Superpriority Claim (for purposes hereof, such liens will be deemed part of the "***Prepetition Replacement Liens***").

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5. **Budget Maintenance**. The proceeds of the DIP Loan under the DIP Facility and the use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the DIP Financing Agreements and the DIP Budget. The Initial Agreed Budget delivered to the DIP Agent shall be accompanied by such supporting documentation as reasonably requested by the DIP Agent. The DIP Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the U.S. Trustee after it has been approved in accordance with the DIP Financing Agreements.

6. **Budget Compliance**. The Debtors shall comply with the DIP Budget as and when required under the DIP Credit Agreement (subject to the variances set forth therein). The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel to the Committee, should a Committee be appointed. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of any applicable grace period set forth in the DIP Credit Agreement.

7. **Postpetition Lien Perfection.** This Interim Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens and Prepetition Replacement Liens without the necessity of filing or recording any financing statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be required under the law of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement or obtaining possession of any possessory collateral) to validate or perfect the DIP Liens or Prepetition Replacement Liens, or to entitle the DIP Liens and Prepetition Replacement Liens the respective priorities granted herein. Notwithstanding and without limiting the foregoing, the DIP Lender may file such financing statements, mortgages, deeds of trust, notices of liens and other similar documents as it deems appropriate, and it is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to

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do so, and all such financing statements, mortgages, deeds of trust, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of the Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the DIP Lender all such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents as the DIP Lender may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents shall be considered DIP Financing Agreements for all intents and purposes. The DIP Lender, in its discretion, may file a certified copy of this Interim Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the recording officer shall be authorized to file or record such copy of this Interim Order. To the extent that the Prepetition Agents or Verity MOB is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements, bailee letters, custom broker agreements, financing statement, account control agreements, or any other Prepetition Secured Documents or is listed as loss payee or additional insured under any of the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under such documents or to be the loss payee or additional insured, as applicable. The Prepetition Agents and Verity MOB shall serve as agent for the DIP Agent for purposes of perfecting the DIP Agent's liens on all DIP Collateral that, without giving effect to the Bankruptcy Code and this Interim Order, is of a type such that perfection of a lien therein may be accomplished only by possession or control by a secured party, bailee or consignee.

8. **Application of Proceeds of Collateral**. As a condition to the continued extension of credit under the DIP Facility and the continued authorization to use Cash Collateral, the Debtors have agreed that as of and commencing on the Closing Date the Debtors shall apply all advances under the DIP Facility, as follows: (i) *first*, to fund the day to day operations and

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general corporate purposes of the Debtors' estates; (ii) *second*, to pay the administrative expenses of the Chapter 11 Cases; and (iii) *third*, to make the Prepetition Adequate Protection Payments all in accordance with the DIP Budget.

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

10. **Cash Collection**.

(a) From and after the date of the entry of this Interim Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited accounts as specified in the DIP Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to time) (collectively, the "***Cash Collection Accounts***"), which accounts shall be subject to the sole dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP Agent that, unless a "Default" or an "Event of Default" under the DIP Credit Agreement has occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall be authorized to use such Cash Collateral in accordance with this Interim Order. All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in

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writing by the DIP Agent and the Prepetition Agents and Verity MOB or as set forth in this Interim Order, the Debtors shall maintain no accounts except those identified in the interim cash management order entered by the Court [Docket No. ____] with respect thereto (the "***Cash Management Order***"), whether now existing or hereafter established. The Debtors and the financial institutions where the Debtors' Cash Collection Accounts are maintained (including those accounts identified in the Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent.

(b) Notwithstanding anything in this Interim Order or any of the DIP Financing Agreements, from and after the date of the entry of this Interim Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall promptly be deposited into a depository account furnished by a depository bank acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject to the sole dominion and control of the DIP Agent (such account, the "***DIP Collateral Account***"). The Debtors' use of the proceeds in the DIP Collateral Account shall be subject to this Interim Order and the DIP Financing Agreements.

11. **Maintenance of DIP Collateral**. Until the indefeasible payment in full of all DIP Obligations, all Prepetition Secured Obligations, and the termination of the DIP Agent's and the DIP Lenders' obligation to extend credit under the DIP Facility, the Debtors shall: (a) insure the DIP Collateral as required under the DIP Facility or the Prepetition Secured Documents, as applicable; and (b) maintain the cash management system in effect as of the Petition Date, as modified by the Cash Management Order, or as otherwise agreed to by the DIP Agent or otherwise required or permitted by the DIP Financing Agreements or this Interim Order.

12. **DIP and Other Expenses**. The Debtors are authorized and directed to pay all reasonable and documented prepetition and postpetition fees and expenses of the DIP Agent, (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as counsel to the DIP Agent), and the DIP Lenders in connection with the DIP Facility, as provided

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herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a proposed conversion of the DIP Facility into exit financing (including the preparation and negotiation of the documentation relating to the exit facility), whether or not the transactions contemplated hereby are consummated, including attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, and indemnification and reimbursement of fees and expenses. Payment of all such fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall not be required to comply with the U.S. Trustee fee guidelines; however, any time that such professionals seek payment of fees and expenses from the Debtors, each professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S. Trustee or the Committee, if one is appointed, with respect to such invoices must be in writing and state with particularity the grounds therefor and must be submitted to the applicable professional within ten (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved, it will be subject to resolution by the Court. Pending such resolution, the undisputed portion of any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the Debtors were authorized and directed to pay on the Closing Date all reasonable and documented fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors incurred on or prior to such date without the need for any professional engaged by such parties to first deliver a copy of its invoice or other supporting documentation. No attorney or advisor to the DIP Agent, the DIP Lenders or any Prepetition Secured Creditor shall be required to file an application seeking compensation for services or reimbursement of expenses with the Court. Upon entry of this Interim Order, any and all fees, costs, and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured Creditors in connection with or with respect to these matters, were approved in full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the Debtors or any other person.

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

14. **Right to Credit Bid**. The DIP Lender shall have the right, but not the obligation, to "credit bid" the DIP Obligations during any sale of the DIP Collateral, including without limitation, sales occurring pursuant to section 363 of the Bankruptcy Code or included as part of any reorganization plan subject to confirmation under section 1129(b)(2)(A)(iii) of the Bankruptcy Code.

15. **Carve Out**. The DIP Liens, DIP Superpriority Claim, and Replacement Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the Bankruptcy Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the "***U.S. Trustee Fees***"), together with interest, if any, at the statutory rate; and (ii) all allowed claims for unpaid fees, costs and expenses incurred by persons or firms retrain by the Debtors or the Committee, if any, whose retention is approved by the Bankruptcy Court pursuant to any one or more of sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs and expenses are both (a) allowed by the Bankruptcy Court pursuant to the Final Order, and (b) in accordance with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable time frame (the "***Carve Out Expenses***"); provided that the aggregate amount of such Carve Out Expenses shall not exceed (a) $2,000,000 with respect to persons or firms retained by the Debtors, and (b) $75,000 with respect to persons or firms retained by the Committee (collectively, the "***Carve Out Amount***"). Any payment or reimbursement made after the Carve Out Trigger Date in respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a dollar-for-dollar basis.

16. **Limitation of Use of Proceeds**. Notwithstanding anything set forth herein and except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses incurred in connection with initiating or prosecuting any claims, causes of action, adversary proceedings, or other litigation against the DIP Lender or any of the Prepetition Secured Creditors, including, without limitation, the assertion or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defenses or other contested matter, the purpose of

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which is to seek any order, judgment, determination or similar relief (i) invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in part, (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, or (d) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly or indirectly, the DIP Lender or Prepetition Secured Creditors' assertion or enforcement of their liens or security interests or realization upon any DIP Collateral or Prepetition Collateral, or (iii) prosecuting any Avoidance Actions against the DIP Lender or any Prepetition Secured Creditor, or (iv) challenging the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the adequate protection granted herein, *provided however*, that nothing in this Interim Order shall limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors as adequate protection payments.

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

18. **Section 506(c) Claims**. Nothing contained in this Interim Order shall be deemed a consent by the DIP Lender to any charge, lien, assessment or claim against the DIP Collateral under Section 506(c) of the Bankruptcy Code or otherwise.

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

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

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Liens granted to the DIP Lender pursuant to this Interim Order, the DIP Financing Agreements or otherwise;

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

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

20. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 5, 2019 (the "***Scheduled Termination Date***"); (ii) the earlier of: (a) the date that is thirty (30) days from entry of this Interim Order unless a final, non-appealable order of the Bankruptcy Court authorizing the DIP Facility in form and substance satisfactory to the DIP Lender in its sole and absolute discretion has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Lender may approve in writing in its sole and absolute discretion), (b) the date the Court denies entry of the Final Order, or (c) the date of revocation of this Interim Order or the Final Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order aentered by the Bankruptcy Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Bankruptcy Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***").

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

22. **Events of Default.** The occurrence of a "Default" or an "Event of Default" pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the "Bankruptcy Defaults" enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of default under this Interim Order, unless expressly waived in writing in accordance with the consents required in the DIP Financing Agreements.

23. **Rights and Remedies Upon Event of Default.**

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

(b) Notwithstanding the preceding paragraph, immediately following the giving of notice by the DIP Lender of the occurrence and continuance of an Event of Default, the DIP Lender shall have the right in its sole discretion to take any or all of the following actions: (i) declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare the unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other DIP Financing Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by any Debtor; (iii) reduce the advance rates in

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respect of Eligible Accounts (as defined in the DIP Credit Agreement) or take additional reserves against or otherwise modify the Borrowing Base; and (iv) exercise all rights and remedies available to the DIP Agent and the DIP Lenders under the DIP Financing Documents, including any right of set-off under Section 11.21 of the DIP Credit Agreement, or under the UCC or any other applicable law; *provided, however*, that upon the occurrence of an Event of Default under the DIP Credit Agreement, the obligation of the DIP Lenders to make the DIP Loan shall automatically terminate, the unpaid principal amount of all outstanding DIP Loans and other DIP Obligations and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the DIP Agent or any DIP Lender.

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

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

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

26. **Proofs of Claim**. The DIP Lender will not be required to file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Creditors.

27. **Other Rights and Obligations**.

(a) **Good Faith Under Section 364(e) of the Bankruptcy Code. No Modification or Stay of this Interim Order.** The DIP Lender has acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and its reliance on this Interim Order is in good faith. Based on the findings set forth in this Interim Order and the record made during the Interim Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Interim Order are hereafter reversed, modified amended or vacated by a subsequent order of this or any other Court, the DIP Lender is entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or vacatur shall not affect the validity and enforceability of any advances made pursuant to this Interim Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens. Any claims and DIP Protections granted to the DIP Lender hereunder arising prior to the effective date of such reversal, modification, amendment or vacatur shall be governed in all respects by the original provisions of this Interim Order, and the DIP Lender shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections granted herein, with respect to any such claim. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Interim Order, the obligations owed to the DIP Lender prior to the effective date of any reversal or modification of this Interim Order cannot, as a result of any

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subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Lender under this Interim Order and/or the DIP Financing Agreements.

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

(c) **No Waiver**. The failure of the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this Interim Order or otherwise, as applicable, shall not constitute a waiver of the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Lender may have pursuant to this Interim Order, the DIP Financing Agreements, or applicable law. Nothing in this Interim Order shall interfere with the rights of any party with respect to any non-Debtors.

(d) **No Third Party Rights**. Except as explicitly provided for herein, this Interim Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary. (e) No Marshaling. The DIP Lender shall not be

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subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the DIP Collateral.

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

(f) **Amendment.** The Debtors and the DIP Lender may amend or waive any provision of the DIP Financing Agreements, provided that, to the extent such amendment or waiver impairs the Debtors or DIP Collateral of the Debtors, such amendment must be on notice to the Office of the U.S. Trustee and any Committee (if appointed), provided that such amendment or waiver, in the reasonable judgment of the Debtors and the DIP Lender, is both non-prejudicial to the rights of third parties or is not material. Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all the Debtors and the DIP Lender, and, if material, approved by the Bankruptcy Court. Nothing herein shall preclude the Debtors and the DIP Lender from implementing any amendment or waiver of any provision of the DIP Financing Agreements.

28. **Survival of Interim Order and Other Matters.** The provisions of this Interim Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Interim Order including the DIP Protections granted pursuant to this Interim Order and the DIP Financing Agreements and any protections granted to the Prepetition Secured Creditors, shall continue in full force and effect notwithstanding the entry of such order, and such DIP Protections and protections for the Prepetition Secured Creditors shall maintain their priority as provided by this Interim Order until all the obligations of the Debtors to the DIP Lender pursuant to the DIP Financing Agreements have been indefeasibly paid in full and in cash and

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discharged (such payment being without prejudice to any terms or provisions contained in the DIP Financing Agreements which survive such discharge by their terms). The DIP Obligations shall not be discharged by the entry of an order confirming a plan of reorganization, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

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

(b) **Enforceability**. This Interim Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Interim Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Interim Order. The rights of all parties in interest to object to the terms of the Final Order, the DIP Credit Agreement and any other DIP Financing Agreements at the Final Hearing are expressly reserved.

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled on an interim basis.

(d) **No Waivers or Modification of Interim Order**. The Debtors irrevocably waive any right to seek any modification or extension of this Interim Order without the prior written consent of the DIP Lender and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Lender. 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 Lender with respect to any other non-Debtor or any of their assets.

29. **Final Hearing.**

(a) The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for _____, 2018 at __:__ _.m. Pacific time at the United

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States Bankruptcy Court for the Central District of California. If no objections to the relief sought in the Final Hearing are filed and served in accordance with this Interim Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtors and entered by this Court.

(b) On or before _____, 2018, the Debtors shall serve, by United States mail, first-class postage prepaid, notice of the entry of this Interim Order and of the Final Hearing (the "***Final Hearing Notice***"), together with copies of this Interim Order, the proposed Final Order and the DIP Motion, on: (i) the Office of the U.S. Trustee; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Office of the Attorney General for the State of California, Charities Division (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis; (vi) counsel to the DIP Lender; (vii) counsel to each of the Prepetition Secured Creditors; (viii) counsel of record representing patients of Debtors with litigation pending against the Debtors as of the Petition Date; (ix) all other known parties asserting a lien on the Debtors' assets; (x) the parties having been given notice of the Interim Hearing; and (xi) any party which has filed prior to such date a request for notices with this Court. The Final Hearing Notice shall state that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no later than _____, 2018 at __:__ _.m. Pacific time which objections shall be served so that the same are received on or before such date by: (a) bankruptcy counsel for the Debtors, Dentons US LLP, 602 South Figueroa, Suite 2500, Los Angeles, California 90017 - 570, Attn: Samuel Maizel; (b) counsel for the DIP Lender, Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, TN 37219, Attn: David E. Lemke, Esq.; (c) counsel to the Committee, if any; (d) the Office of the United States Trustee for the Central District of California, 915 Wilshire Blvd., Suite 1850, Los Angeles, CA 90017, Attn: Jill Sturtevant, (e) counsel for U.S. Bank as Collateral Agent and Note Trustee, McDermott, Will & Emory, 227 W. Monroe Street, Chicago, IL 60606-5096, (f) counsel for UMB Bank as successor Master Trustee, Mintz, Levin, Cohen, Ferris, Glovsky and Popeo PC, 1 Financial Center, Boston MA 02111, Attn: Dan Bleck, (g) counsel for the MOB

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Financing Parties, Jones Day, 555 South Flower Street Fiftieth Floor, Los Angeles, California 90071 and (h) counsel for Wells Fargo Bank N.A. as Note Trustee for Series 2017, Maslon, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attn: Clark Whitmore, and shall be filed with the Clerk of the United States Bankruptcy Court for the Central District of California, in each case to allow actual receipt of the foregoing no later than _____, 2018, at __:__ _.m. Pacific time. Notwithstanding the terms of this Interim Order, this Court is not precluded from entering a Final Order containing provisions that are inconsistent with, or contrary to any of the terms in this Interim Order, subject to the protections under Section 364(e) and the rights of the DIP Lender to terminate the DIP Credit Agreement if such Final Order is not acceptable to them. In the event this Court modifies any of the provisions of this Interim Order or the DIP Financing Agreements following such further hearing, such modifications shall not affect the rights and priorities of DIP Lender pursuant to this Interim Order with respect to the DIP Collateral, and any portion of the DIP Obligations which arises or is incurred, advanced or paid prior to such modifications (or otherwise arising prior to such modifications), and this Interim Order shall remain in full force and effect except as specifically amended or modified at such Final Hearing

Dated: _____
Los Angeles, California

/s/_____
HONORABLE JUDGE ROBLES
UNITED STATES BANKRUPTCY JUDGE

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Judge Ernest M. Robles
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**DECLARATION OF ANITA CHOU, CHIEF FINANCIAL OFFICER, IN SUPPORT OF MOTION FOR INTERIM ORDER AUTHORIZING (A) USE OF CASH COLLATERAL; (B) DEBTOR IN POSSESSION CREDIT AGREEMENT; (C) GRANT OF SUPERPRIORITY PRIMING LIENS TO DIP LENDER AND; (D) GRANT OF JUNIOR LIENS ON POST PETITION ACCOUNTS AND INVENTORY AS ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES PURSUANT TO 11 U.S.C. §§105(A), 363(C)(2), AND 364(C) AND (D)** EMERGENCY HEARING: Date: September 5, 2018 Time: 10:00 a.m. Place: Courtroom 1568

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I, Anita Chou, submit this Declaration in support of the Debtors' MOTION FOR INTERIM ORDER AUTHORIZING (A) USE OF CASH COLLATERAL, (B) DEBTOR IN POSSESSION CREDIT AGREEMENT, (C) GRANT OF SUPERPRIORITY PRIMING LIENS TO DIP LENDER, (D) GRANT OF JUNIOR LIENS ON POST PETITION ACCOUNTS AND INVENTORY AS ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES PURSUANT TO 11 U.S.C. §§105(A), 363(C)(2), AND 364(C) AND (D) (the "DIP Motion"), and hereby state and declare as follows:

1. I am the Chief Financial Officer ("CFO") of Verity Health System of California, Inc. ("VHS"). I became the Debtors' acting CFO on August 20, 2018 and on August 29, 2018, the board of directors appointed me as the CFO. Prior to my appointment as acting CFO, I served as the VHS SVP Hospital Finance, with oversight responsibilities over all of Verity Health System hospitals' CFOs from February 1, 2018 until August 19, 2018, and as the St Vincent Medical Center CFO from March 2016 to February 2018. My career has included three years at Prospect Medical Holdings from March 2013 to March 2016 in various senior level corporate finance positions including Hospital System CFO, ten years as the controller for three different hospital and hospital systems (e.g., Saint John's Health Center & Affiliates, Valley Presbyterian Hospital, and USC Kenneth Norris Jr. Cancer Hospital), and three years as a Financial Market Analyst for El Camino Hospital. I received my Masters in Health Administration from the University of Southern California in 2005, and my Bachelor of Science from University of California, San Diego in 1998.

2. The statements herein are based upon my personal knowledge of the facts and information gathered by me in my capacity as CFO for VHS.

I. Capital Structure and Need for Additional Financing

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3. On August 31, 2018 (the "Petition Date"), the above referenced Debtors filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. section 101, et seq. I have prepared a summary of the funded debt obligations of the Debtors in these jointly administered chapter 11 cases.[1] My summary is attached as **Exhibit "1"** to this Declaration.

4. VHS, Verity Business Services ("VBS") and VHS's five acute care hospital subsidiaries[2], and one operating division (the "Hospitals")[3] are jointly obligated parties on approximately $461.4 million of outstanding secured debt consisting of: (a) $259.4 million outstanding tax exempt revenue bonds, Series 2005 A, G and H issued by the California Statewide Communities Development Authority (the "2005 Bonds"), which loaned the bond proceeds to VHS to provide funds for capital improvements and to refinance certain tax exempt bonds previously issued in 2001 by the Daughters of Charity Health System, a religious enterprise and VHS's reorganization predecessor; and (b) $202 million outstanding tax exempt revenue notes, Series 2015[4] A, B, C, and D and Series 2017 issued by the California Public Finance Authority, which loaned the proceeds to VHS to provide working capital (the "Working Capital Notes"). Wells Fargo Bank, N.A. ("Wells Fargo") is the Bond Trustee and U.S. Bank National Association ("U.S. Bank") is the Master Trustee[5] and DACA Collateral Agent for the prepetition

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[1] The Debtors in these cases are: Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St Francis Medical Center, St. Vincent Medical Center, Seton Medical Center and Seton Coastside, Verity Holdings LLC and Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Seton Medical Center Foundation, Verity Business Services, and DePaul Ventures, LLC.

[2] The following hospitals operate as separate not-for-profit corporate subsidiaries of Verity: (1) O'Connor Hospital, located in San Jose, California (2) Saint Louise Regional Hospital, located in Daley City, California, (3) Seaton Medical Center, located in Daly City, California, (4) St. Francis Medical Center, located in Lynwood, California and (5) St. Vincent Medical Center, located in Los Angeles, California. Seton Medical Center Coastside is a separately named Obligor, but is an operating division of Seaton Medical Center located in Moss Beach, California.

[3] See note 1, *supra*.

[4] A portion of the Series 2015 Working Capital Notes refinanced a 2014 tax exempt conduit issuance of Verity secured debt also issued by the California Public Finance Authority.

[5] The Debtors have been advised, that UMB Bank, N.A., a national banking association, has accepted an appointment as successor Master Trustee as of the Petition Date.

secured 2005 Bonds. U.S. Bank is the Note Trustee and also the Collateral Agent for the Working Capital Notes.

5. Except for the taxable Series 2015C of the Working Capital Notes,[6] the 2005 Bonds and the Working Capital Notes are all tax exempt, meaning interest on the bonds and notes is not taxable to the holders so long as the issuer maintains its qualified tax-exempt status and the proceeds of the bonds and notes were used for the tax exempt purposes for which they were originally intended. The Series 2005 A Bonds are comprised four term bonds maturing on July 1, 2024, 2030 and 2035 bearing interest at 5.75% (Series 2005A-2024), (Series 2005A-2030), (Series 2005A-2035) and one maturing July 1, 2039 bearing interest at 5.50% (Series 2005A-2039). The Series 2005G term bond matures on July 1, 2022 and bears interest at 5.50%. The Series 2005H- term bond matures on July 1, 2025 and bears interest at 5.75%. The Working Capital Notes mature on June 10, 2019 (Series 2015A, Series 2015B, Series 2015C and Series 2015D) and on December 10, 2020 (Series 2017A, 2017B). Series 2015A and B and Series 2017 and 2017B bear interest at 7.25%, while the Series 2015D carries an 8.75% interest rate and Series 2015C accrues interest at 9.5%.

6. Verity Holdings LLC ("Holdings"), a direct subsidiary of its sole member VHS, was created in 2016 to hold and finance VHS's interests in various parcels of real estate, including six medical office buildings whose tenants are primarily physician and other practicing medical groups and certain of the Verity Hospitals. Holdings is the borrower on approximately $66 million in two series of non-recourse financing secured by separate deeds of trust, revenue and accounts pledges, including lease rents on each medical building (collectively the "MOB Financings"). The MOB Financings bear interest at a variable interest rate based on equal to One Month LIBOR plus a spread of 5.0% with a floor of 6.23% and 6.92%. The secured lenders for the MOB Financings are affiliates of NantWorks, LLC, which is an affiliate of the Debtors' pre-petition manager, Integrity Healthcare LLC ("Integrity").[7]

[6] The Working Capital Note Series 2015C in the currently outstanding amount of $10.0 million is the sole series of the Working Capital Notes that is not tax-exempt.

[7] Integrity was the prepetition manager of the Verity hospital system, whose contract and arrangement with Verity was approved by the former California Attorney General Kamala Harris during 2015.

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7. During May 2017, the California Statewide Communities Development Authority issued $20 million of limited obligation tax exempt bonds,[8] pursuant to the CaliforniaFIRST Clean Fund Program in five series, all with the same maturity date of September 2, 2047 (the "Clean Fund Bonds"), as the conduit issuer for the benefit and obligation of Seton Medical Center. The purpose of the bond funding was to assist with clean energy and seismic construction efforts of the Seton Medical Center and are secured by Seton Medical Center's voluntary agreement to special tax assessments by Daly City. No other Debtor is liable for repayment of the Clean Fund Bonds. Wilmington Trust National Association ("WTNA") is the Trustee holding the construction funds, and a pre funded capitalized interest fund and is the collateral agent for collection of the special tax assessments for use in paying interest and principal on the Clean Fund Bonds. Interest on the Clean Fund Bonds accrues at 6.4%. The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the Clean Fund Bonds. However, only Seton Medical Center is liable on the Clean Fund Bonds.

8. Also in September 2017, the California Statewide Communities Development Authority issued a single series $20 million of limited obligation tax exempt bonds[9] pursuant to the CaliforniaFIRST Program for the purpose of assisting with clean energy and seismic improvement construction at Seton Medical Center ("NR2 Petros Bonds"). The NR2 Petros Bonds also mature on September 2, 2047 but carry an interest rate of 6.45%. The NR2 Petros Bonds also are secured by a special Daly City tax assessment on Seton Medical Center property. No other Debtor is liable for repayment of the NR2 Petros Bonds. The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the NR2 Petros Bonds.[10] WTNA is the Trustee holding the seismic improvement funds, as well as a pre-funded interest payment fund.

9. NantCapital, LLC also provided $40 million of unsecured debt financing for VHS as reflected in two $20 million unsecured notes dated March 7, 2018 and March 29, 2018 (the

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[8] The Clean Fund bonds are only exempt from California state income tax.

[9] The NR2 Petros Bonds are only exempt from California state income tax.

[10] U.S. Bank as Master Trustee consented to the Daley City special tax assessments for both the Clean Fund Bonds and the NR2 Petros Bonds as Permitted Liens under the Master Indenture.

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"Unsecured Notes"). The Unsecured Notes are balloon notes with interest and principal payable at maturity in 2020 and near interest at 7.25% compounded annually.

II. Access to Cash

10. As explained above, virtually all the Debtors' income is subject to prepetition perfected pledges. The gross revenue of the Hospitals (the "Gross Revenue Pledge") is in favor of the 2005 Bonds and their prepetition accounts and government receivables are subject to a perfected collateral pledge (the "Accounts Pledge") in favor of the Working Capital Notes. Pursuant to the terms of a certain Amended and Restated Intercreditor Agreement dated September 1, 2017 (the "Intercreditor Agreement"), the Master Trustee acting on behalf of the 2005 Bonds expressly agreed to subordinate of its liens, including the Gross Revenue Pledge, to the Accounts Pledge. In addition, the assets, revenues and accounts for various income generating medical buildings owned by Holdings are the subject of prepetition deeds of trust and perfected pledges of accounts, including lease rents. Although, the Debtors' operating cash is held in bank accounts that are not the subject of control agreements, and are thus unsecured, all of the Debtors revenue-based receipts are pass through Lockboxes and Gross Revenue Accounts that are the subject of control agreements in favor of the prepetition collateral agent, U.S. Bank.

11. As explained in the First Day Declaration of Rich Adcock, the Debtors have consistently lost money for many years due to, among other things, unfavorable payor contracts and burdensome labor agreements with accelerating pension costs for union and non-union employees. The VHS Hospitals also are dramatically under invested in structural improvements necessary to meet California's state mandated seismic and clean energy requirements. The combined effect of these issues has resulted in a consistent decline in operating cash balances absent additional financing.

11A. Absent granting emergency access to the Debtors' cash collateral, the Debtors will not be able to make payroll or meet other obligations critical to the maintenance of safe facilities and the delivery of effective acute care services for its patients and staff during the week ending September 7, 2018. Absent emergency access to postpetition financing, the Debtors will lose vendor support for critical postpetition deliveries of goods and services further burdening the

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Debtors use of cash. Absent entry of an interim order granting the requested relief, the very existence of the Hospitals will be threatened and the ability of the Hospitals to survive as going concerns, whether or not owned by the Debtors, will be irreparably harmed.

12. As of the filing date, I expect the Debtors to have less than $40 million of cash on hand[11] that is not subject to control accounts in favor of either the 2005 Bonds, the Working Capital Notes or the MOB Financings, and excluding cash held by WTNA for the Clean Fund Bonds or the NR2 Petros Bonds. However, the Debtors expect to spend approximately $113 million during the first four weeks of the case and operating cash losses for the same four weeks are expected to exceed $11 million. Such expenditure and negative cash flow (the "burn") does not include critical vendors payments, adequate protection payments to prepetition secured lenders, pension contributions or needed capital expenditures. Although, the Debtors anticipate having in excess of $219 million in net accounts receivable on hand at the Petition Date and expect to generate approximately $80 million in new post-petition receivables over the first four week period, U.S. Bank as Note Trustee for the obligated group Working Capital Notes has taken the position that all of the postpetition receipts for the near term are the proceeds of prepetition accounts and government receivables, which constitute priority collateral for the Working Capital Notes. As a result, in order to survive the opening phases of the Chapter 11 cases and beyond, the Debtors must obtain access to prepetition cash collateral by stipulation or order of this Court.

13. In addition, the Debtors have immediate needs for access to debtor in possession financing. The Debtors have substantial trade payables consistent with the operations of a large organization that receives substantial trade support in the form of traditional credit terms. While the length of terms has begun to shorten as the trade balances grew, I believe, after consultation with financial and capital markets advisers from the Berkley Research Group ("BRG") and Cain Brothers, a division of KeyBanc Capital Markets ("Cain"), that the Debtors will have access to normal or near normal unsecured credit terms providing the Debtors have access to substantial liquidity in the form of postpetition financing.

[11] This is a book balance value and does not take into consideration any uncashed employee wage checks against accounts or third-party payment checks drawn on the Debtors' bank accounts in accordance with long term risk sharing contracts with non-Verity hospital and medical providers.

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13A. As a result of these factors, the Debtors have filed the Emergency Motion for an order seeking use of cash collateral and authority to undertake debtor in possession financing, both on terms described in this Declaration.

III. Search for Additional Financing

14. As indicated above, the financing requested herein is being requested for up to the lesser period of (a) the first anniversary of the Interim Order approving the DIP Facility or (b) the earlier of (i) the date that is 30 days from entry of the Interim Order (as defined herein) unless a final, non-appealable order of the Bankruptcy Court authorizing the DIP Facility in form and substance satisfactory to the DIP Agent in its sole and absolute discretion (the "Final Order") has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Agent may approve in writing in its sole and absolute discretion), (ii) the date the Court denies entry of the Final Order, or (iii) the date of revocation of the Interim Order or the Final Order, as applicable; (c) the substantial consummation (as defined in § 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "effective date") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Bankruptcy Court; (d) the consummation of a sale of all or substantially all of the Collateral; (e) the date the Bankruptcy Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (f) the acceleration of the DIP Loans and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Loan Documents (the earliest of such dates, the "Termination Date").

15. In my judgment, after consultation with advisers from Cain and BRG, the twelve-month time frame is the reasonably necessary period of time to reorganize or complete a plan of liquidation. The Debtors' have a poor financial history, face the possibility of extended regulatory review of any transactions by the Office of the California Attorney General, project continuing operating losses and were recently informed that California will delay disbursement of the next two cycles of the Managed Care Quality Assurance Fee payments to Hospitals by up to six months. As a result of the cumulative effect of these circumstances, the management team

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has concluded that there is no realistic possibility for the Debtors to achieve a true reorganization as a not-for-profit enterprise that is (a) self-sustaining on a cash basis and (b) capable of supporting a capital structure sufficient to provide needed capital improvements to provide a safe and energy-efficient hospital and medical services delivery system. As a result, twelve months could be the reasonable minimum passage of time until either (i) all of the Debtors' major assets have been sold or (ii) the Court could confirm a plan of liquidation that anticipated the closings relating to such sales of assets. The proposed DIP Facility clearly advances the Debtors' public purpose of providing effective, safe and efficient medical services delivery for the benefit of the communities they may serve.

16. The proposed DIP Facility and its expedited term contemplate speedy resolution of these Chapter 11 cases. Such financing is critical to both the Debtors' operations, and their ability to preserve the value of the hospital and medical building assets pending the results of the Debtors' prepetition transaction solicitation process, one or more auctions and approval of any related private or auction sale(s). The proposed financing under the DIP Facility is needed to maintain an appropriate level of liquidity independently of the use of any asset sale proceeds and help fund the continuing losses associated with the Debtors' day-to-day operations.

17. As evidenced by the Unsecured Notes and the MOB Financing, the Debtors have continued to seek additional liquidity throughout 2018. In July 2018, Cain, acting as our investment advisers, began to search alternative transactions including new investors. Beginning the week of July 23, Cain expanded its efforts to include possible debtor in possession ("DIP") financing. Cain has reached out to over 110 potential buyers and 16 DIP financing parties; 51 potential buyers and 8 DIP financing parties signed confidentiality agreements. The Debtors have also consulted with certain existing holders of the 2005 Bonds and the Working Capital Notes and the MOB Financings to gauge their interest in post-petition term loans and consents to the use of cash collateral. The combined searches yielded 11 indications of interest from potential buyers and 4 offers for debtor in possession financing, including the one firm proposal being put forward through the Debtors. A summary of principal terms expressly agreed by Ally Bank as DIP

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Lender and DIP Agent is and described below under Section V, and a copy of the currently proposed form of DIP Credit Agreement is attached to this Declaration as **Exhibit "3**."

18. All of the parties who expressed interest offered either less financing than the Debtors initially sought, sought higher interest rates on the offered lending and/or insisted upon a prompt sales process to dispose of all or substantially all of the Debtors' assets. Although the Debtors continue to explore the possibility of a reorganization as a tax-exempt enterprise around one or more Hospitals, it has chosen to agree to an expedited consideration of a sales process for all of its assets to compare against its possible reorganization value.

IV. Adequate Protection for Pre-Petition Secured Creditors.

19. The Debtors propose four forms of adequate protection for use of cash collateral and imposition of first priority priming liens on all assets of the Debtors that are subject to perfected liens and deeds of trust in favor of the Prepetition Secured Lenders: (1) adequate protection payments. (2) replacement lien, (3) preservation of Debtors' equity cushion through continuous maintenance of real property and (4) super priority expenses of administration for any proven diminution of value, as follows. First, use of DIP Facility proceeds in accordance with the Initial Agreed Budget (defined below) attached to my Declaration as **Exhibit "2"** to provide adequate protection payments equivalent to post-petition, non-default interest on the outstanding balances of the 2005 Bonds, Working Capital Notes and MOB Financings, plus reasonable attorneys' fees and financial advisor fees for one set of attorneys and financial advisors for U.S. Bank as Trustee and Collateral Agent for the Working Capital Notes and the 2005 Bonds and one set of attorneys and financial advisors for the MOB Notes.

20. Second, to the extent of the diminution in the value of the interest of the Prepetition Secured Creditors in the Prepetition Collateral the Debtors propose to provide junior replacement liens. The Prepetition Secured Creditors shall have, subject to the terms and conditions set forth below, pursuant to sections 361, 363(e), and 364(d) of the Bankruptcy Code additional and replacement security interests and Liens in the DIP Collateral, excluding Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA and Bankruptcy Recoveries (the "Prepetition Replacement Liens") which shall be junior only to the Carve Out, the DIP Liens

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securing the DIP Obligations, *provided, however,* that any Prepetition Replacement Liens granted to the Note Trustee on account of the Diminution in Value of any Prepetition Collateral in which it holds senior priority security interests shall be senior to the replacement liens granted to the other Prepetition Secured Creditors and junior only to the Carve Out and the DIP Liens securing the DIP Obligations. Proceeds of Prepetition Replacement Liens shall be allocated amongst Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement. "Bankruptcy Recoveries" shall mean any claims and causes of action to which the Debtor may be entitled to assert by reason of any avoidance or other power vested in or on behalf of the Debtor or the estate of the Debtor under Chapter 5 of the Bankruptcy Code and any and all recoveries and settlements thereof.

21. Third, it is my judgment based upon the current book value of the Debtors' assets (approximately $847 million as of June 30, 2018), that the realizable value of the prepetition collateral securing the obligations due the Prepetition Secured Lenders, exceeds the value of such obligations (approximately $568 million). To preserve the prepetition value of the Debtors real property and improvements, the Debtors will use DIP Facility proceeds in accordance with the Initial Agreed Budget (defined below) and in the ordinary course to continue to maintain all of the pre-petition real property securing the Debtors' obligations due to the Prepetition Secured Creditors in good repair.

22. Fourth, to the extent of the diminution in the value of the allowed interests of the Prepetition Secured Creditors in the Prepetition Collateral, the Prepetition Secured Creditors shall have an allowed superpriority administrative expense claim (the "Prepetition Superpriority Claim"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, and (iii) the Carve Out), in the Chapter 11 Case under sections 364(c)(1), 503(b), and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtor and its estate, now existing or hereafter arising, of any kind or nature whatsoever including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d), 552, 726, 1113, and 1114 of the Bankruptcy Code, and, upon entry of the

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Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy, or attachment. Other than the DIP Liens, the DIP Superpriority Claim, and the Carve Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under sections 328, 330, and 331 of the Bankruptcy Code, or otherwise, that have been or may be incurred in the Chapter 11 Case, or in any Successor Case, will be senior to, prior to, or on parity with the Prepetition Superpriority Claim (for purposes hereof, such liens will be deemed part of the "Prepetition Replacement Liens").

23. All of the adequate protection and property maintenance expenses undertaken by the Debtors in the ordinary course of business are included in the Initial Agreed Budget (defined below). Thus, expenditures of DIP Financing proceeds along with use of cash derived from pre-petition cash collateral will preserve the Debtors going concern values, in general and for each subsidiary. In the event one or more Hospitals are sold, I am advised that the pre-petition lenders security interest, along with the DIP Liens will attach to the proceeds such sale providing more generalized protection of the collateral values as of the Petition Date.

24. As a final consideration of the adequacy of the Debtors protection proposal, based upon my experience and training as an operating finance professional, I believe based upon current book value of the Obligated Group assets of approximately $709 million, excluding related party receivables, that the realizable value of such assets exceeds the prepetition value of the secured Obligated Group liabilities of approximately $501 million. I also believe, based upon the current book value of the non-Obligated Group assets of $144 million, excluding related party receivables, that the realizable value of such assets exceeds the prepetition value of the secured non-Obligated Group liabilities of $66 million under the MOB Financings. Indeed, the book value, of the assets are respectively more than 20% above (a) the combined outstanding 2005 Bonds and Working Capital Notes and (b) the MOB Financings. My views are further informed by the confident expression of realizable value by Cain, as the Debtors investment advisors.

V. Summary of DIP Financing

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25. BORROWERS: Verity Health System of California, Inc., O'Connor Hospital., Saint Louise Regional Hospital, St Francis Medical Center, St. Vincent Medical Center, Seton Medical Center and Seton Coastside, Verity Holdings LLC and Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation,[12] Verity Business Services, DePaul Ventures, LLC.

26. DIP LENDERS: Ally Bank intends to hold the entire DIP Facility on the Closing Date, but reserves the right to assign and grant participations in revolving loans and revolving commitments pursuant to customary provisions to be set forth in the DIP Facility Documentation.

27. DIP ADMINISTRATIVE AGENT: Ally Bank ("Ally" or "DIP Agent")

28. DIP FACILITY : Senior revolving credit facility (the "DIP Facility") in an aggregate principal amount of up to $185,000,000 (the "DIP Loan Commitment") with the priority as described under the header "Security and Priority" below; provided that, prior to the entry of the Final Order, only up to $30,000,000 (the "Interim Funding Amount") will be made available by the DIP Lenders, subject to the satisfaction of the "Interim Funding Conditions" and "Conditions Precedent to All Borrowings." Each advance made pursuant to the DIP Credit Documents (as defined herein) will be a "DIP Loan."

29. AVAILABILITY: The aggregate maximum outstanding balance of revolving loans under the DIP Facility shall not exceed at any time the sum of the lesser of:

(a) $185,000,000 and (b) a borrowing base in an amount equal to (1) 85% of the Net Collectable Value (as defined below) of eligible accounts receivable due from third-party payors (including Medicare, Medicaid and commercial insurance, but excluding "self-pay" receivables) that are aged less than 180 days from the date of service, plus (2) 60% of eligible Managed Care California Quality Assurance Fee V receivables for (i) Cycle 1 expected to be collected by April 30, 2019 and so long as it is collected by May 31, 2019 and (ii) Cycle II expected to be collected

[12] O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation are collectively referred to as the "Philanthropic Foundations."

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by the managed care health plan by September 30, 2019, which in the case of clause (i) and (ii) are fully earned and net of any outstanding related liabilities, plus (3) 95% of the amount held in escrow constituting net cash proceeds from assets sales of the Borrowers (which amount held in escrow, for the avoidance of doubt, shall constitute Collateral and shall be in a deposit account subject to a satisfactory control agreement in favor of DIP Agent), plus (4) $10,000,000, however, for the avoidance of doubt, in no circumstance shall the Borrowing Base exceed $185,000,000, minus (5) reserves imposed in the reasonable business judgment of the DIP Agent (the "Borrowing Base").

(b) Under the DIP Credit Agreement, "Net Collectable Value" means percentages that the DIP Agent reasonably applies from time to time to eligible accounts receivable by payor class based upon the DIP Agent's review and analysis of Borrower's historical collection history, contractual allowances, returns, rebates, discounts, credits and other allowances for each such payor class and taking into account other factors deemed appropriate by the DIP Agent.

(c) The borrowing base shall exclude accounts receivable generated from the operations of Hospitals which are sold; provided that if such accounts receivable are not sold with the hospital, the associated Net Collectible Value of eligible accounts receivable would remain in the borrowing base until the earlier of 60 days after the sale of the hospital and 45 days before the Scheduled Termination Date

(d) The borrowing base will include availability for certain unbilled eligible accounts aged no greater than 21 days from discharge date (subject to an aggregate cap on such unbilled accounts in an amount to be determined and acceptable to the DIP Agent).

30. CLOSING DATE: The date on or after the entry of the Interim Order on which the "Interim Funding Conditions" set forth herein are satisfied (the "Closing Date").

31. INTERIM FUNDING CONDITIONS: The obligation of the DIP Lenders to make available the Interim Funding Amount under the DIP Facility (the "Interim Funding") shall be subject to the satisfaction (or waiver by the DIP Agent, in its sole and absolute discretion) of the following conditions:

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(a) the DIP Credit Documents shall have been executed and delivered by each party thereto, in form and substance satisfactory to the DIP Agent;

(b) the Petition Date shall have occurred, and each Borrower shall be a debtor and a debtor in possession;

(c) "First day orders" related to or affecting the Collateral or DIP Facility (including cash and cash management) shall be in form and substance satisfactory to the DIP Agent, and all other "first day orders" entered at the time of commencement of the Chapter 11 Cases shall be reasonably satisfactory to the DIP Agent;

(d) Within 60 days following the Petition Date, the Borrowers shall have filed either (i) a motion for approval of bid procedures for an identified stalking horse bidder in an amount of at least $235,000,000 of cash consideration in connection with the sale of the St. Louise and O'Connor Hospitals and related assets pursuant to section 363(b) and (f) of the Bankruptcy Code (the "Bid Procedures Motion") on terms and conditions acceptable to the DIP Agent or (ii) a motion for approval of a negotiated asset purchase agreement executed by a third party for the entire hospital system with expected consideration in the form of cash or assumption of prepetition secured debt in an amount not less than $700,000,000 and the simultaneous payment in full of the obligations owed, and termination of all commitments of the DIP Agent and DIP Lenders, under the DIP Credit Facility (the "Sale Motion"). Provided however, if the Borrowers do not file either the Bid Procedures Motion or the Sale Motion acceptable to the DIP Agent within 30 days following the Petition Date, then (i) availability shall be $0 for items number (2) and (4) in the Borrowing Base and (ii) the minimum liquidity covenant shall be the greater of $15 million and 15% of the Borrowing Base, in each case until such time that a satisfactory Bid Procedures Motion or Sale Motion acceptable to the DIP Agent is filed so long as such Bid Procedures Motion or Sale Motion is filed within 60 days following the Petition Date;

(e) Within 60 days following the Petition Date, the Borrowers shall have presented a plan for the reduction and eventual elimination of the cash burn from the operation of Seton Medical Center and Seton Medical Center Coastside (which may be by a sale of such facilities to an identified stalking horse bidder or by other means including the Sale Motion, in either case on

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terms and conditions reasonably satisfactory to the DIP Agent), provided however, if the Borrowers' do not present such a plan on terms and conditions acceptable to the DIP Agent within 60 days following the Petition Date, thereafter, (i) availability shall be $0 for items number (2) and (4) in the Borrowing Base and (ii) the minimum liquidity covenant shall be the greater of $15 million and 15% of the Borrowing Base;

(f) the Interim Order shall have been entered and the DIP Agent shall have received a signed copy of the Interim Order, in form and substance satisfactory to the DIP Agent in its sole and absolute discretion, which order shall have been entered not later than three (3) business days following the Petition Date (or such later date as the DIP Agent may agree), authorizing and approving the making of the loans in the amounts consistent with those set forth in the "DIP Facility" section above and the granting of the superpriority claims and liens and other liens referred to above under the heading "Security and Priority" (such order, the "Interim Order", and together with the Final Order, the "DIP Orders"), which Interim Order shall not have been vacated, reversed or stayed in any respect;

(g) no trustee or examiner having expanded powers shall have been appointed, or any Borrower shall have applied for, consented to, or acquiesced in, any such appointment, with respect to the Borrowers or their respective properties;

(h) all reasonable and documented out-of-pocket costs, fees and expenses (including, without limitation, reasonable and documented legal fees) set forth in the DIP Credit Documents or otherwise required to be paid to the DIP Agent and the DIP Lenders on or before the Closing Date shall have been paid, to the extent such expenses exceed the Deposit;[13]

(i) the DIP Agent shall have received the Initial Budget and the Initial 13 Week Cash Flow Forecast;

(j) the DIP Agent shall have received closing deliverables customary and/or appropriate in the judgment of the DIP Agent for transactions of this type;

[13] Pursuant to the terms of the initial proposal letter with Ally, the Debtors wired $350,000 as the "Deposit".

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(k) since the public disclosures on August 14, 2018, for the period ending May 31, 2018, there shall not have occurred or there shall not exist any event or condition (other than as customarily occurs as a result of events leading up to and following the commencement of a proceeding under Chapter 11 of the Bankruptcy Code by the Borrowers and the commencement of the Chapter 11 Cases) that, individually or in the aggregate, (i) has a material adverse effect on the business, operations, or financial condition of the Borrowers taken as a whole; or (ii) a material adverse effect (x) on the material rights or remedies of the DIP Agent or the DIP Lenders under any DIP Loan Document or (y) on the ability of the Borrowers, taken as a whole, to perform their payment obligations to the DIP Agent or the DIP Lenders under any DIP Loan Document (such event, condition, circumstance or contingency, a "Material Adverse Effect");

(l) except as disclosed on a schedule delivered to the DIP Agent by Borrowers, there shall exist no unstayed action, suit, investigation, litigation or proceeding pending or (to the knowledge of the Borrowers) threatened in any court or before any arbitrator or governmental instrumentality (other than the Chapter 11 Cases or the consequences that would normally result from the commencement and continuation of the Chapter 11 Cases) that could reasonably be expected to have a Material Adverse Effect;

(m) each DIP Lender who has requested the same at least five (5) business days prior to the Closing Date shall have received "know your customer" and similar information at least three (3) days prior to the Closing Date;

(n) the DIP Agent, for the benefit of the DIP Lenders, shall have the valid and perfected liens on the Collateral contemplated by the "Security and Priority" section above pursuant to the DIP Orders and no further action by any entity shall be required to perfect the DIP Liens; provided that (i) the DIP Agent may, in its sole and absolute discretion, file UCC financing statements, require delivery of certificated equity interests required to be pledged, and require execution and delivery of intellectual property security agreements, in each case in suitable form for filing, and (ii) the Borrowers shall use commercially reasonable efforts to take all other actions necessary and desirable to perfect the DIP Liens on a post-closing basis;

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(o) the Interim Order shall have been entered without opposition by U.S. Bank as Note Trustee for 2015 and 2017 Working Capital Notes; U.S. Bank as Master Trustee for 2005 Series Bonds; Verity MOB Financing, LLC and Verity MOB Financing II, LLC; Wilmington Trust National Association, as Trustee for the California Statewide Communities Development Authority for the California First Clean Program and California First Seismic Program; and any other party identified by the DIP Agent, unless the DIP Agent waives such condition in its sole and absolute discretion;

(p) the DIP Agent shall be satisfied in its sole and absolute discretion with cash dominion arrangements effective with respect to the DIP Facility;

(q) the Closing Date shall have occurred on or prior to two (2) business days after the entry of the Interim Order;

(r) the DIP Agent and the DIP Lenders shall have received such other documents and information (financial or otherwise) as may be reasonably requested by the DIP Agent or the DIP Lenders on or prior to the Closing Date;

(s) each of the representations and warranties of any Borrower in the DIP Loan Documents shall be true and correct in all material respects on the Closing Date (in each case, any representation or warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects as of the Closing Date); and

(t) such other conditions customary and/or appropriate in the judgment of the DIP Agent for transactions of this type (collectively, the "Interim Funding Conditions").

32. MATURITY DATE: The DIP Facility will mature, and lending commitments thereunder will terminate, on the date that is the earliest of: (a) the first anniversary of the Interim Order (the "Scheduled Termination Date"); (b) the earlier of (i) the date that is 30 days from entry of the Interim Order unless the Final Order has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Agent may approve in writing in its sole and absolute discretion), (ii) the date the Court denies entry of the Final Order, or (iii) the date of revocation of the Interim Order or the Final Order, as applicable; (c) the substantial consummation (as defined in section 1101 of the Bankruptcy Code and which for purposes hereof

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shall be no later than the "effective date") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Bankruptcy Court; (d) the consummation of a sale of all or substantially all of the Collateral; (e) the date the Bankruptcy Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (f) the acceleration of the DIP Loans and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Loan Documents (the earliest of such dates, the "Termination Date").

33. USE OF PROCEEDS: DIP Facility: In accordance with the Initial Agreed Budget (defined below) proceeds will be utilized to fund the Debtors' day-to-day operations and general corporate purposes, pay the administrative expenses of the Chapter 11 cases, to maintain and preserve the Debtor's assets, and to make adequate protection payments to the following identified pre-petition secured creditors: (1) U.S. Bank as Note Trustee for 2015 and 2017 Working Capital Notes; (2) U.S. Bank as Master Trustee for 2005 Series Bonds; (3) Verity MOB Financing, LLC and Verity MOB Financing II, LLC; but excluding (4) Wilmington Trust National Association, as Trustee ("WTNA") for the California Statewide Communities Development Authority for the CaliforniaFirst Clean Program and CaliforniaFirst Seismic Program ("PACE"), for the Debtor following the closing of the DIP Credit Facility, provided that Borrower may utilize proceeds to pay Daley City, California special tax assessments, for the benefit of WTNA as Trustee for the Pace Bonds. Adequate protection payments and other advances under the DIP Facility will be subject to compliance with minimum liquidity or maximum DIP budget variance financial covenants and the absence of any other Default or Event of Default which has not been cured to the extent provided in the DIP Facility.

34. INITIAL AGREED BUDGET: The Debtor's use of the DIP Facility proceeds will be in accordance with the DIP Budget providing financial projections for the Parties covering the period from the entry of the Interim Order on a rolling 13-week basis, which projections shall include, at a minimum, projected receipts, and projected disbursements. The proposed initial agreed budget covering the initial 13-week period (the "Initial Agreed Budget") is attached hereto

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as **Exhibit "2"**. The Borrowers may provide the DIP Agent, which shall be acceptable to the DIP Agent and the DIP Lenders in their sole discretion, an updated budget (each an "Updated DIP Budget" and, together with the Initial Agreed Budget or the most recently proposed and accepted Updated DIP Budget, the "DIP Budget") for the then-remaining term of the DIP Facility including updates to the information in the most recently accepted DIP Budget

35. INTEREST RATE: Borrower shall pay interest under the DIP Facility at 30 Day LIBOR plus 4.50%. There will be a LIBOR floor of 2.0%. Interest shall be calculated on the basis of the actual number of days elapsed in a 360 day year.

36. FEES AND EXPENSES: The Debtors agree to pay to the DIP Lender, (i) a closing fee on the Closing Date in the amount of 1.25% of the commitment amount of the DIP Facility and (ii) Unused Line Fees of 0.75% per annum, on the average daily balance of the unused portion of the DIP Facility payable monthly in arrears, and (iii) all reasonable costs, fees and expenses incurred or to be incurred by the DIP Agent in connection with the documentation, administration, syndication, closing, amendment, modification and/or enforcement of the DIP Facility, including but not limited to field exam expenses, shall be payable upon demand by the Borrower. However, under the DIP Facility there will be no (x) early termination or prepayment fee, (y) collateral management fee or (z) minimum balance requirement.

37. CARVE OUT: The DIP Liens, DIP Superpriority Claim, the Prepetition Liens, the Prepetition Replacement Liens, and the Prepetition Superpriority Claims are subordinate only to the following (collectively, the "Carve Out"):

(a) all fees required to be paid to the clerk of the Bankruptcy Court and to the Office of the United States Trustee under section 1930(a) of title 28 of the United States Code plus interest, if any, at the statutory rate (without regard to the notice set forth in (c) below); and

(b) to the extent allowed at any time, whether by interim order, procedural order or otherwise, all allowed claims for unpaid fees, costs and expenses incurred by persons or firms retained by the Borrowers or the official committee of unsecured creditors in the Chapter 11 Cases (the "Creditors' Committee"), if any, whose retention is approved by the Bankruptcy Court pursuant to any one or more of sections 327, 363, and 1103 of the Bankruptcy Code, to the extent

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such claims for fees, costs and expenses are both (i) allowed by the Bankruptcy Court pursuant to a final order at any time, and (ii) in accordance with, and solely up to the total respective amounts set forth in, the DIP Budget (as defined below) for the applicable timeframe (the "Carve-Out Expenses"); provided that the aggregate amount of such Carve-Out Expenses shall not exceed (i) $2,000,000 with respect to persons or firms retained by the Borrowers, and (ii) $75,000 with respect to persons or firms retained by the Creditors' Committee (collectively, the "Carve-Out Amount"). Any payment or reimbursement made after the Carve Out Trigger Date in respect of any Carve-Out Expenses shall permanently reduce the Carve-Out Amount on a dollar-for-dollar basis.

38. DIP LIENS: All DIP Obligations of the Borrowers shall be secured by the DIP Liens, which shall be granted in the DIP Credit Documents and approved by the Bankruptcy Court in the DIP Orders, on (1) all existing and after-acquired real and personal property of each Borrower, and (2) the outstanding equity interests issued by each Borrower (to the extent applicable), and all substitutions, accessions, products and proceeds of each of the foregoing (the "Collateral"). All of the DIP Liens shall be effective and perfected as of the Petition Date upon entry of the Interim Order, without need for any additional filings or documentation, except to the extent requested by the DIP Lender in its sole discretion.

39. The DIP Collateral shall not include any specified excluded collateral agreed to by the DIP Lenders, and donor restricted funds at the Philanthropic Foundations, the Pace collateral (which consists solely of use restricted proceeds of a conduit California tax exempt financing under the control of WTNA as Trustee and the associated Daly City special property tax assessments on the applicable properties) and claims and causes of action of the Borrowers' bankruptcy estates under chapter 5 of the Bankruptcy Code ("Avoidance Actions").

40. PRIMING LIENS: The DIP Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be valid, perfected, continuing, enforceable, non-avoidable first priority liens and security interests on the Collateral of each Borrower, and shall prime all other liens and security interest on the Collateral, including any liens and security interests in existence on the Petition Date, and any other current or future liens granted on the Collateral, including any

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adequate protection or replacement liens granted on the Collateral (the "Primed Liens").

41. SALE PROCEEDS AS COLLATERAL: Proceeds of sales of Hospitals and other assets constituting Collateral shall be held in escrow, shall constitute Collateral and shall not be distributed, in whole or in part to other creditors of the Borrowers until either (a) the DIP Agent and DIP Lenders shall have been paid in full all amounts owed under the DIP Credit Documents and all obligations of the Borrowers to the DIP Agent and DIP Lenders shall have been satisfied in full and the DIP Lenders shall have no further obligations under the DIP Facility to make any advances thereunder, or (b) the DIP Agent otherwise expressly consents in writing to such distribution on terms and conditions that are acceptable to the DIP Agent, which consent may be withheld in its sole discretion.

42. PRIORITY: The DIP Obligations shall, pursuant to Section 364(c)(1) of the Bankruptcy Code, be entitled to superpriority administrative expense claim status in the Chapter 11 Case of each Borrower (the "DIP Superpriority Claims"), which DIP Superpriority Claims in respect of the DIP Facility shall have priority over any and all claims against the Borrowers.

43. WAIVER OF 506(C) SURCHARGE: Except with respect to the Carve-Out, the DIP Liens shall not be subject to surcharge under section 506(c) or any other provision of the Bankruptcy Code.

44. FINANCIAL REPORTING:

(a) Prior to the Petition Date, the Borrowers shall deliver to the DIP Agent a 13-week cash flow forecast of receipts and disbursements (the "Initial 13 Week Cash Flow Forecast"), in form and substance satisfactory to the DIP Agent and the DIP Lenders in their sole discretion, for the initial 13-week period commencing on the Petition Date.

(b) Weekly Reporting. Commencing on the second Wednesday after the Petition Date, and on each subsequent Wednesday thereafter, the Borrowers will provide a certified "Variance Report" to the DIP Agent and containing: (a) a report (i) showing actual cash receipts and disbursements for the immediately preceding week (or weeks, depending on the applicable testing period), noting therein all variances, on a line-item basis, from amounts set forth for such period in the Cash Flow Forecast (as defined herein), and including explanations for all material

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variances (including: (A) if known, the degree to which the variance is a permanent variance from the DIP Budget, (B) the cause of the variance, (C) if appropriate, how the source of such variance will be addressed in subsequent forecasts and (D) whether this variance is expected to impact the DIP Budget) and (ii) an update of the Cash Flow Forecast (as defined herein) to reflect the prior week's actual cash receipts and disbursements, and, as appropriate, an update to the remaining weeks under the then-current Cash Flow Forecast (as defined herein), and (b) an aged report listing current accounts receivable and current post-petition accounts payable.

(c) Monthly Reporting. On the first Thursday of each month after the Petition Date commencing in September, the Borrowers shall provide a new certified 13-week cash flow forecast (each an "Updated 13 Week Cash Flow Forecast", and, together with the Initial 13 Week Cash Flow Forecast, the "Cash Flow Forecast") that has been extended four weeks beyond the ending date for the prior Cash Flow Forecast. Each Updated 13 Week Cash Flow Forecast shall additionally contain: (a) a reconciliation of the prior month's actual results to the corresponding period in the Initial DIP Budget; (b) as appropriate, an Updated DIP Budget covering the period of the DIP Facility and (c) as appropriate, a reconciliation of the prior month's actual results to the corresponding period in the Updated DIP Budget.

45. AFFIRMATIVE AND NEGATIVE COVENANTS: Customary for financings of this type, as may be set forth more fully in the DIP Credit Agreement, but including the following financial covenants:

(1). Minimum Liquidity: The greater of $10 million and 10% of the Borrowing Base (except as otherwise provided for under the Interim Funding Conditions), to be tested weekly.

(2). Maximum DIP Budget Variance: Aggregate disbursements by the Borrowers shall not exceed the DIP Budget by more than a specified threshold, to be determined to the satisfaction of the DIP Agent. Any amounts unused by the Borrowers for a particular budget period may be carried forward to subsequent budget periods for the Borrowers until used in full. Any un-waived deviation from the covenant described above shall constitute an Event of Default upon notice given by the DIP Agent.

(3). Aggregate Limit. For the avoidance of doubt, nothing herein or in the other DIP

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Credit Documents shall entitle the Borrowers to receive, or require the DIP Lenders to extend, a DIP Loan if, at the time of the proposed funding of such DIP Loan (and after giving effect thereto and to all pending requests for DIP Loans), the aggregate amount of DIP Loans would exceed the lesser of (a) the DIP Loan Commitment and (b) the Borrowing Base.

46. REPRESENTATIONS AND WARRANTIES: Customary for financings of this type, as may be set forth more fully in the DIP Credit Agreement.

47. EVENTS OF DEFAULT: Customary and appropriate for financings of this type, including the failure of the Court to approve the Bid Procedures Motion by a date to be mutually agreed upon.

48. CASH MANAGEMENT:

(a) Borrower agrees to obtain satisfactory control agreements for the benefit of the DIP Agent on existing account structure for the six hospitals. Cash collections from these existing accounts shall be remitted or swept to DIP Lockbox (defined below).

(b) Borrower shall maintain and pay for a depository account (the "DIP Lockbox") subject to a control agreement satisfactory to the DIP Agent into which any other Borrowers cash collections shall be remitted and swept to the DIP Agent on a daily basis for application to the DIP Facility balance, and thereafter made available for draw and transfer into existing AP accounts in accordance with the terms of the DIP Credit Agreement. The DIP Agent shall have full dominion over all collections, and collections will be swept on a daily basis at all times and applied to the amounts outstanding under the DIP Facility; provided that, for purposes of calculating interest and fees under the DIP Facility, all collections shall be subject to a two business day clearance period. For the avoidance of doubt, subject to the two business day clearance, the DIP Agent shall turn over excess proceeds of Accounts and Government Receivables on any date that there are no obligations owing and no claims have been made or threatened against DIP Agent or the DIP Lenders.

50. CONDITIONS PRECEDENT: In addition to such other customary conditions as set forth in the DIP Credit Documents and the continued satisfaction of the Interim Funding Conditions, the obligation of the DIP Lenders to advance the DIP Loans (other than the Interim

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Funding) shall be subject to the satisfaction (or waiver by the DIP Agent, in its sole and absolute discretion) of the following conditions:

(a) entry of the Final Order within the time set forth above and the DIP Agent shall have received a signed copy of the Final Order, in form and substance satisfactory to the DIP Agent in its sole and absolute discretion, authorizing and approving, on a permanent basis, the making of the DIP Loans in the amounts consistent with those set forth in the "DIP Facility" section above and the granting of the superpriority claims and liens and other liens referred to above under the heading "Security and Priority", which Final Order shall not have been vacated, reversed or stayed in any respect;

(b) the Final Order shall have been entered without opposition by U.S. Bank as Note Trustee for 2015 and 2017 Working Capital Notes; U.S. Bank as Master Trustee for 2005 Series Bonds; Verity MOB Financing, LLC and Verity MOB Financing II, LLC; Wilmington Trust National Association, as Trustee for the California Statewide Communities Development Authority for the California First Clean Program and California First Seismic Program; and any other party identified by the DIP Agent, unless the DIP Agent waives such condition in its sole and absolute discretion; and

(c) Conditions customary and/or appropriate, in the judgment of the DIP Agent, for transactions of this type.

51. CONDITIONS TO EACH EXTENSION OF CREDIT: On the date of each extension of credit under the DIP Facility, the cash management order, Interim Order, or Final Order, as the case may be, shall be in full force and effect and shall not have been vacated, reversed or stayed in any respect or, except as expressly permitted by the DIP Credit Documents, modified or amended in any manner.

52. RELEASE OF CLAIMS: To induce the DIP Lenders to enter into the DIP Credit Documents, each Borrower, for itself and on behalf of their subsidiaries, successors and assigns (each a "Releasor" and, collectively, the "Releasors"), hereby releases, acquits, and forever discharges each of the DIP Lenders, the DIP Agent and any of their respective officers, directors, employees, agents, attorneys, representatives, subsidiaries, affiliates or shareholders (the

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"Releasees") from any and all liabilities, claims, demands, actions or causes of action of every kind or nature (if any there be), whether absolute or contingent, due or to become due, disputed or undisputed, liquidated or unliquidated, at law or in equity, or known or unknown, that any Releasor now has, ever had or hereafter may have against the Releasees based on acts, transactions or circumstances that have occurred or been consummated on or before the date of the Closing Date and that relate to (a) the DIP Facility, the Financing Documents, or any other extension of credit by the DIP Lenders to the Borrowers and their affiliates; (b) any transaction, act or omission contemplated by or described in or concluded under any DIP Credit Document or any Financing Document; or (c) any aspect of the dealings or relationships between or among the Releasors, on the one hand, and the Releasees on the other hand, under or in connection with any DIP Credit Document or any Financing Document or any transaction, act or omission contemplated by or described in or concluded under any DIP Credit Document or Financing Document (collectively, the "Claims"). The provisions of this paragraph shall survive the termination of the DIP Facility and any other DIP Credit Document and payment in full of any indebtedness thereunder. Each Borrower, for itself and on behalf of their successors, assigns and other legal representatives, hereby unconditionally and irrevocably agrees that such Releasor shall not sue any Releasee on the basis of any Claim released, remised and discharged pursuant to the foregoing provisions of this paragraph, and if any Releasor violates the foregoing covenant, such Releasor, for itself and its successors and assigns, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and cost incurred by any Releasee as a result of such violation.

53. REQUISITE LENDERS: Amendments and waivers of the DIP Facility Documentation will require the approval of the Lenders holding more than 66.66% of the aggregate amount of the loans and commitments under the DIP Facility, provided however, if there are two or more unaffiliated Lenders, Requisite Lenders shall require at least two unaffiliated Lenders

54. GOVERNING LAW: New York, without regard to choice of law and subject to applicable federal bankruptcy laws, provided that from and after the Petition Date, the United

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States Bankruptcy Court, Central District of California, Los Angeles Division, shall have jurisdiction over disputes arising in connection with this Term Sheet, the DIP Loan and any and all related matters.

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Dated: August 31, 2018

VERITY HEALTH SYSTEM

By: _____
Anita Chou
Chief Financial Officer

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EXHIBIT 1

SUMMARY OF FUNDED DEBT OBLIGATIONS

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Funded Debt Stack
Verity

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		Maturity Date	Outstanding as of 07/31 (000's)	Int Rate	Obligated or Non-Obligated Group	Holder	Tax Status	Call Provisions
Long Term Revenue Bonds								
	2005-A-2024	7/1/2024	32,885	0.0575	Obligated	Public*	Exempt - Fed & CA	Callable at Par
	2005-A-2030	7/1/2030	64,490	0.0575	Obligated	Public*	Exempt - Fed & CA	Callable at Par
	2005-A-2034	7/1/2034	72,530	0.0575	Obligated	Public*	Exempt - Fed & CA	Callable at Par
	2005-A-2039	7/1/2039	72,710	0.055	Obligated	Public*	Exempt - Fed & CA	Callable at Par
	2005-G	7/1/2022	8,825	0.055	Obligated	Public*	Exempt - Fed & CA	Callable at Par
	2005-H	7/1/2025	8,005	0.0575	Obligated	Public*	Exempt - Fed & CA	Callable at Par
Total			259,445					
Working Capital Bonds								
	2015A	6/10/2019	60,000	0.0725	Obligated	Rosemawr	Exempt - Fed & CA	Call Any Date (1)110% of par or (ii) "make Whole Redemption Price"
	2015B	6/10/2019	45,000	0.0725	Obligated	Rosemawr	Exempt - Fed & CA	Call Any Date (1)110% of par or (ii) "make Whole Redemption Price"
	2015C	6/10/2019	10,000	0.095	Obligated	Rosemawr	Taxable	Call Any Date (1)110% of par or (ii) "make Whole Redemption Price"
	2015D	6/10/2019	45,000	0.0875	Obligated	RCB	Exempt - Fed & CA	Callable at Par (whole or in part)
	2017A	12/10/2020	21,000	0.0725	Obligated	NantWorks	Exempt - Fed & CA	Call Any Date (1)110% of par or (ii) "make Whole Redemption Price"
	2017B	12/10/2020	21,000	0.0725	Obligated	NantWorks	Exempt - Fed & CA	Call Any Date (1)110% of par or (ii) "make Whole Redemption Price"
Total			202,000					
Long Term Tax Assessment Financing (PACE)								
	Series 2017-A (Clean Fund)	9/2/2047	4,000	0.064	Obligated	Wilmington Trust NA-Trustee California Statewide Development Authority (Clean Fund)	Exempt - CA	Call before (i) 3/2/2022 at 104% (ii) 3/2/2027 at 103%(iii) after 5/12/2027 at 101%
	Series 2017-B (Clean Fund)	9/2/2047	4,000	0.064	Obligated	Clean Fund	Exempt - CA	Call before (i) 3/2/2022 at 104% (ii) 3/2/2027 at 103%(iii) after 5/12/2027 at 101%
	Series 2017-C (Clean Fund)	9/2/2047	4,000	0.064	Obligated	Clean Fund	Exempt - CA	Call before (i) 3/2/2022 at 104% (ii) 3/2/2027 at 103%(iii) after 5/12/2027 at 101%
	Series 2017-D (Clean Fund)	9/2/2047	4,000	0.064	Obligated	Clean Fund	Exempt - CA	Call before (i) 3/2/2022 at 104% (ii) 3/2/2027 at 103%(iii) after 5/12/2027 at 101%
	Series 2017-E(Clean Fund)	9/2/2047	4,000	0.064	Obligated	Clean Fund	Exempt - CA	Call before (i) 3/2/2022 at 104% (ii) 3/2/2027 at 103%(iii) after 5/12/2027 at 101%
	2017-NR2 (Petros)	9/2/2047	20,000	0.0645	Obligated	Petros		Call before (i) 3/2/2022 at 104% (ii) 3/2/2027 at 103%(iii) after 5/12/2027 at 101%
Total			40,000					
Non-obligated unsecured								
	Promissory Note A	3/7/2018	20,000	0.0725	Non-Obligated	Nant Capital	Taxable	Calllabe at Par
	Promissory Note B	3/29/2018	20,000	0.0725	Non-Obligated	Nant Capital	Taxable	Calllabe at Par
Total			40,000					
Non-obligated Real Estate Backed (Non Recourse)								
	MOB Financing - Series 2017	10/9/2020	46,220	0.0707	Non-Obligated	NantWorks	Taxable	Callable at Par (?)
	MOB Financing Series 2018 - April	6/9/2021	15,000	0.0707	Non-Obligated	NantWorks	Taxable	Callable at Par (?)
	MOB Financing Series 2018 - July	6/9/2021	5,000	0.0707	Non-Obligated	NantWorks	Taxable	Callable at Par (?)
Total			66,220					
Total Debt			607,665					
	Obligated		501,445					
	Non-Obligated		106,220					

*Nuveen $183.81M; Vanguard $23.52M; Lord Abbot $10.75M;VanEck $8.86M

Verity Health System
Schedule of Restricted Cash Held for Creditors

Privileged and Confidential
Attorney Workproduct
DRAFT

($ in thousands)	PACE Financing	2005 Bonds	Total
CSCDA Calfirst Cfund 2017AE Cap Int	$ 1,547	$ -	$ 1,547
CSCDA Calfirst 2017 NR2 Cap Interest	659	-	659
Total Held for Interest	**2,206**	**-**	**2,206**
CSCDA Calfirst Cfund 2017AE Program	16,755	-	16,755
CSCDA Calfirst 2017 NR2 Program Fund	17,625	-	17,625
Total Program Fund	**34,379**	**-**	**34,379**
2005 Series A	-	647	647
2005 Series H	-	168	168
2005 Series G	-	367	367
Total Principal Account	**-**	**1,182**	**1,182**
2005 Series A	-	20,717	20,717
2005 Series H	-	906	906
2005 Series G	-	1,094	1,094
Total Debt Reserve	**-**	**22,717**	**22,717**
Total Resricted Cash Held for Creditors	**$ 36,585**	**$ 23,899**	**$ 60,484**
Escrow Account with Wells Fargo	**-**	**2,000**	**2,000**

EXHIBIT 2

INITIAL AGREED BUDGET

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

Case 2:18-bk-20151-ER Doc 32-2 Filed 08/31/18 Page 2 of 2 Exhibit 2 Entered 08/31/18 23:06:02 Desc

Verity Health

$ in 000's

Exhibit 2

Weeks	1	2	3	4	5	6	7	8	9	10	11	12	13	13-Week
Actuals	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Totals
Week Ending	9/8/2018	9/15/2018	9/22/2018	9/29/2018	10/6/2018	10/13/2018	10/20/2018	10/27/2018	11/3/2018	11/10/2018	11/17/2018	11/24/2018	12/1/2018	Projected
Cash Inflows														
Patient Revenue	16,337	21,010	20,421	21,010	17,291	17,880	17,291	17,880	17,858	19,296	18,707	15,554	18,707	239,242
Capitation Premium	-	2,148	8,591	2,148	-	2,148	8,591	2,148	-	2,148	8,591	2,148	-	38,661
QAF / DSH / Trauma	-	9,059	-	-	-	-	-	5,025	-	-	-	-	-	14,084
Other Operating Receipts	297	146	24	780	297	146	24	132	944	146	24	132	944	4,033
Subtotal: Cash Inflows	**16,633**	**32,362**	**29,036**	**23,937**	**17,588**	**20,173**	**25,907**	**25,185**	**18,802**	**21,589**	**27,322**	**17,834**	**19,651**	**296,020**
Operating Cash Outflows														
Operating Expenses	(26,300)	(30,260)	(29,107)	(27,239)	(24,371)	(32,572)	(25,764)	(24,824)	(29,368)	(26,122)	(29,510)	(28,122)	(27,633)	$ (361,193)
Critical Vendor Pre-Petition Relief	-	-	(2,500)	(2,500)	(2,500)	(5,000)	(5,000)	(2,500)	-	-	-	-	-	(20,000)
Capex	(200)	(313)	(313)	(2,047)	(200)	(200)	(200)	(200)	(2,047)	(200)	(200)	(200)	(2,047)	(8,367)
Adequate Protection Debt Service	(372)	-	-	(2,522)	-	(377)	-	(1,226)	(1,295)	(382)	-	(1,226)	(1,295)	(8,695)
DIP Debt Service	(2,313)	-	-	(160)	-	-	-	-	(329)	-	-	-	(473)	(3,274)
Professional Fees - Restructuring	(705)	(303)	(360)	-	(2,928)	(225)	-	-	(1,540)	-	-	-	(1,889)	(7,950)
Restructuring Events	-	-	-	-	-	512	512	387	42	24	1,024	1,024	774	4,299
Subtotal: Cash Outflows	**(29,889)**	**(30,876)**	**(32,279)**	**(34,467)**	**(29,998)**	**(37,862)**	**(30,453)**	**(28,363)**	**(34,538)**	**(26,680)**	**(28,686)**	**(28,525)**	**(32,565)**	**(405,180)**
Net Cash Flow	**(13,256)**	**1,487**	**(3,243)**	**(10,530)**	**(12,410)**	**(17,689)**	**(4,546)**	**(3,178)**	**(15,736)**	**(5,091)**	**(1,364)**	**(10,690)**	**(12,914)**	**(109,160)**
Total Cash, Beginning	**$ 32,404**	**$ 49,148**	**$ 40,772**	**$ 30,993**	**$ 19,673**	**$ 19,985**	**$ 19,985**	**$ 19,985**	**$ 19,985**	**$ 19,985**	**$ 19,985**	**$ 19,985**	**$ 19,985**	**$ 32,404**
Net Cash Flow	(13,256)	1,487	(3,243)	(10,530)	(12,410)	(17,689)	(4,546)	(3,178)	(15,736)	(5,091)	(1,364)	(10,690)	(12,914)	(109,160)
DIP Financing Proceeds/ (Paydown)	30,000	(9,862)	(6,536)	(790)	12,722	17,689	4,546	3,178	15,736	5,091	1,364	10,690	12,914	96,741
Total Cash Balance, Ending	**49,148**	**40,772**	**30,993**	**19,673**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**
DIP Revolver Loan Balance														
Beginning Balance	-	30,000	20,138	13,601	12,812	25,533	43,222	47,768	50,946	66,682	71,773	73,137	83,827	-
DIP Financing Proceeds/ (Paydown)	30,000	(9,862)	(6,536)	(790)	12,722	17,689	4,546	3,178	15,736	5,091	1,364	10,690	12,914	96,741
Ending Balance	**30,000**	**20,138**	**13,601**	**12,812**	**25,533**	**43,222**	**47,768**	**50,946**	**66,682**	**71,773**	**73,137**	**83,827**	**96,741**	**96,741**
Asset Sales														
Asset Sale Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Balance, w / DIP & Asset Sales	**49,148**	**40,772**	**30,993**	**19,673**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**

Notes

1) Cash balances are net of outstanding checks

EXHIBIT 3

DIP CREDIT AGREEMENT

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

Waller Draft 8.31.18 7:00 pm

[DISTRIBUTION OF THIS DRAFT IS FOR DISCUSSION PURPOSES ONLY AND DOES NOT REPRESENT A COMMITMENT OR OFFER TO MAKE A LOAN OR OTHERWISE EXTEND CREDIT. THIS DRAFT REMAINS SUBJECT TO ALLY BANK'S CREDIT COMMITTEE APPROVAL, TO THE REVIEW, COMMENT, AND APPROVAL OF ALLY BANK IN ALL RESPECTS AND TO THE SATISFACTORY REVIEW OF ALL BUSINESS AND LEGAL DUE DILIGENCE.]

DEBTOR IN POSSESSION REVOLVING CREDIT AGREEMENT

Dated as of September **[5]**, 2018

by and among

VERITY HEALTH SYSTEM OF CALIFORNIA, INC. AND EACH OF THE OTHER PERSONS SIGNATORY HERETO AS BORROWERS,

THE OTHER PERSONS PARTY HERETO THAT ARE DESIGNATED AS CREDIT PARTIES,

ALLY BANK,
for itself as a Lender and as Administrative Agent for all Lenders,

and

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO AS LENDERS

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Annex A - Revolving Commitments

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Exhibit A Form of Borrowing Base Certificate
Exhibit B Form of Compliance Certificate
Exhibit C Form of Revolving Note
Exhibit D Form of Loan Notice
Exhibit E Form of Assignment Agreement
Exhibit F Initial Cash Flow Forecast

DEBTOR IN POSSESSION REVOLVING CREDIT AGREEMENT

THIS DEBTOR IN POSSESSION REVOLVING CREDIT AGREEMENT is dated as of September **[5]**, 2018 (as the same may be amended, restated, supplemented or otherwise modified from time to time, this "***Agreement***") by and among each of the Persons signatory hereto and named on Schedule 1 hereto as a Borrower (each a "***Borrower***" and, collectively, the "***Borrowers***"), each of the Persons signatory hereto and named on Schedule 1 hereto as a Guarantor, the financial institutions from time to time party hereto as lenders (each, a *"**Lender**"* and collectively the *"**Lenders**"*) and ALLY BANK, a Utah state chartered bank ("***Ally Bank***"), in its capacity as administrative agent for Lenders (together with its successors and assigns, the "***Administrative Agent***"), documentation agent and joint bookrunner.

RECITALS

A. On August 31, 2018 (the "***Petition Date***"), each Borrower filed a separate voluntary petition for relief under chapter 11 of the Bankruptcy Code (defined below) in the United States Bankruptcy Court for the Central District of California (the "***Bankruptcy Court***") and is continuing to operate its respective businesses and manage its properties as a debtor and debtor in possession under sections 1107 and 1109 of the Bankruptcy Code.

B. Borrowers have requested that Lenders provide financing to Borrowers in the form of a revolving loan in the maximum aggregate amount of $185,000,000 subject to the terms set forth herein, in the Financing Orders and pursuant to sections 364(c)(1), 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code, the proceeds of which will be used solely for (i) payment of all fees and expenses due to Administrative Agent and Lenders pursuant to this Agreement, (ii) financing ongoing debtor in possession working capital needs, maintenance and preservation of Borrowers' assets, general corporate purposes relating to postpetition operations and related costs, fees and expenses of the Bankruptcy Cases, (iii) payment of the administration expenses of the Bankruptcy Cases as approved by the Bankruptcy Court, (iv) to make adequate protection payments to the Specified Prepetition Secured Creditors and (v) to pay Daly City, California special tax assessments, for the benefit of Wilmington Trust National Association, as Trustee (the "***PACE Bond Trustee***") for the California Statewide Communities Development Authority for the CaliforniaFirst Clean Program and CaliforniaFirst Seismic Program ("***PACE***") Bonds.

C. Lenders have agreed to provide a revolving loan to Borrowers pursuant to sections 364(c)(1), 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code on the terms and conditions of this Agreement and in the Financing Orders so long as such postpetition credit obligations are secured by Liens granted, or purported to be granted, by Borrowers pursuant to this Agreement and the other Loan Documents and given super-priority status as provided in the Financing Orders.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Borrowers, Lenders and the Administrative Agent agree as follows:

ARTICLE 1 DEFINITIONS; PRINCIPLES OF CONSTRUCTION

1.1 Specific Definitions. The following terms have the meanings set forth below:

"***Account(s)***": (i) any right to payment of a monetary obligation, whether or not earned by performance, (ii) without duplication, any "account" (as defined in Article 9 of the UCC), any accounts receivable (whether in the form of payments for services rendered or goods sold, rents, license fees or otherwise), any Health-Care-Insurance Receivables (as defined in the UCC), any Payment Intangibles (as defined in the UCC) and all other rights to payment and/or reimbursement of every kind and description, whether or not earned by performance, (iii) all accounts, General Intangibles (as defined in the UCC), Intellectual Property, rights, remedies, guarantees, Supporting Obligations (as defined in the UCC), Letter-of-Credit Rights (as defined in the UCC) and security interests in respect of the foregoing, all rights of enforcement and collection, all books and records evidencing or related to the foregoing, and all rights under the Loan Documents in respect of the foregoing, (iv) all information and data compiled or derived by any Credit Party or to which any Credit Party is entitled in respect of or related to the foregoing, and (v) all Proceeds (as defined in the UCC) of any of the foregoing. For the avoidance of doubt, "Account" shall include any account receivable, Payment Intangible and/or right to payment and/or reimbursement of every kind and description, whether or not earned by performance arising under any QAF Program.

"***Account Debtor***": any Person obligated on any Account.

"***ACH***": the Automated Clearing House or any successor reasonably acceptable to Lender.

"***Administrative Agent***": the meaning set forth in the preamble to this Agreement.

"***Administrative Agent's Account***": the following deposit account of Administrative Agent:

JPMorgan Chase Bank, N.A.
New York, New York
ABA No.: 021-000-021
Account Name: Ally Bank
Account No.: 361-324-984
Attention: Loan Operations
Reference: [_____]

"***Affiliate***": as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person or is a director or officer of such Person or of an Affiliate of such Person.

"***Agreement***": the meaning set forth in the preamble to this Agreement.

"***Allowed Fees***": in each case with respect to the Bankruptcy Cases, fees and reimbursement for distributions of professionals retained by the Borrowers and/or a statutory committee of unsecured creditors allowed or otherwise payable pursuant to an order of the Bankruptcy Court, including, without limitation, pursuant to monthly fee statements, that has not been vacated, stayed, appealed or objected to by Administrative Agent, under sections 327, 328 or 1103 of the Bankruptcy Code.

"***Ally Bank***": the meaning set forth in the preamble to this Agreement.

"***Anti-Terrorism Laws***": any Laws relating to terrorism or money laundering, including, without limitation, Executive Order No. 13224 (effective September 24, 2001), the USA PATRIOT Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by OFAC.

"***Applicable Law***": all Laws applicable to any Credit Party or any other Person, or any conduct, transaction, agreement or matter in question, including all applicable statutory law, common law and equitable principles, and all provisions of constitutions, treaties, statutes, rules, regulations, orders and decrees of Governmental Authorities.

"***Applicable LIBOR Margin***": 4.5% per annum.

"***Approved Cash Management Obligations***": any obligations to Administrative Agent, any Lender or any Affiliate of any of the foregoing pursuant to any Cash Management Agreement of which (a) if such cash management obligations were established prior to the date of this Agreement, the Lender or its Affiliate has provided written notice to Administrative Agent executed by an authorized signatory of such Lender disclosing the existence of such Cash Management Agreement and the maximum liability of Borrowers or (b) if such Cash Management Agreement is established following the date of this Agreement, then (i) such Lender or its Affiliate (which in no case may be a Defaulting Lender) shall have provided written notice to Administrative Agent executed by an authorized signatory of such Lender disclosing the existence of such Cash Management Agreement and the maximum liability of Borrowers thereunder and (b) as of the date of delivery of such notice to Administrative Agent, no Event of Default shall have occurred and be continuing. In all events, the Approved Cash Management Obligations shall not exceed the maximum liability so disclosed in the notice to Administrative Agent.

"***Asset Disposition***": a sale, lease, license, consignment, transfer or other disposition of any property or assets of any Credit Party, including a disposition in connection with a sale-leaseback transaction or synthetic lease.

"***Asset Purchase Agreement(s)***": each Asset Purchase Agreement entered into with respect to the purchase of substantially all of the assets of any Borrower, including any Healthcare Facility, in a "363 sale" pursuant to Section 363 of the Bankruptcy Code.

"***Asset Sale***": the sale of all or some portion of the assets of a Borrower pursuant to an Asset Purchase Agreement approved by the Bankruptcy Court in an Asset Sale Order pursuant to Section 363 of the Bankruptcy Code.

"***Asset Sale Bid Procedures Order***": each order of the Bankruptcy Court, in form and substance satisfactory to Administrative Agent, approving applicable sale and bid procedures for each respective Asset Sale.

"***Asset Sale Documents***": collectively, the Asset Sale Purchase Agreements, Asset Sale Motions, Asset Sale Orders, Asset Sale Bid Procedures Orders and any and all other agreements, documents and certificates executed and delivered in connection therewith.

"***Asset Sale Motions***": each motion, in form and substance satisfactory to Administrative Agent, filed in the Bankruptcy Cases seeking entry of an order by the Bankruptcy Court approving the applicable Asset Sale, procedures for such Asset Sale, and the form of the applicable Asset Purchase Agreement.

"***Asset Sale Orders***": each order of the Bankruptcy Court, in form and substance satisfactory to Administrative Agent, approving each applicable Asset Sale and distribution of proceeds to Administrative Agent.

"***Assignee***": the meaning set forth in Section 10.1(b).

"***Assignment Agreement***": an Assignment and Assumption Agreement substantially in the form attached hereto as Exhibit E, with such amendments or modifications as may be approved by the Administrative Agent.

"***Authorized Officer***": the chief executive officer, president, chief financial officer, chief operating officer or treasurer of a Credit Party authorized to bind such Credit Party and, solely for purposes of notices given pursuant to Article 2, any other officer or employee of the applicable Credit Party so designated by any of the foregoing officers in a written notice to Administrative Agent. Any document delivered hereunder that is signed by an Authorized Officer of a Credit Party shall be conclusively presumed to have been authorized by all necessary corporate, limited liability company, partnership and/or other action on the part of such Credit Party and such Authorized Officer shall be conclusively presumed to have acted on behalf of such Credit Party.

"***Availability***": the meaning set forth in Section 2.1(a).

"***Availability Period***": the period from and including the Closing Date to the earliest of (a) the Revolving Loan Termination Date, and (b) the date of termination of the commitment of Lenders to make Loans pursuant to Section 9.2.

"***Bail-In Action***": the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"***Bail-In Legislation***": with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"***Bankruptcy Cases***": the following cases pending before the Bankruptcy Court: [_____].

"***Bankruptcy Code***": Title 11 of the United States Code entitled "Bankruptcy", as now or hereinafter in effect, or any successor statute.

"***Bankruptcy Court***": the meaning specified therefor in the recitals to this Agreement.

"***Base Rate***": with respect to each Reset Date, a rate per annum equal to the greatest of (i) the rate of interest from time to time published by the Board of Governors of the Federal Reserve System as the "Bank Prime Loan" rate in Federal Reserve Statistical Release H.15(519) entitled "Selected Interest Rates" or any successor publication of the Federal Reserve System reporting the Bank Prime Loan rate or its equivalent, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of one percent (0.5%), and (iii) the LIBOR Rate plus 1.0%. Any change in the Base Rate due to a change in any of the rates described in the immediately preceding sentence shall become effective immediately upon the next succeeding Reset Date.

"***Blocked Person***": any Person: (a) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (b) owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (c) with which Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (d) that commits, threatens or conspires to commit or supports "terrorism" as defined in Executive Order No. 13224, or (e) that is named a "specially designated national" or "blocked person" on the most current list published by OFAC or other similar list or is named as a "listed person" or "listed entity" on other lists made under any Anti-Terrorism Law.

"***Borrower Operating Account***": the following deposit account of Borrower Representative:

Bank Name:
Bank Address:
ABA No.:
Account Name:
Account No.:
Reference:

"***Borrower Representative***": VHS.

"***Borrowing Base***": as of any date of determination (as calculated with reference to the most recent Borrowing Base Certificate acceptable to Administrative Agent and otherwise in accordance with this Agreement), an amount equal to the sum of:

(a) eighty-five percent (85%) of the Net Collectable Value of the Eligible Accounts; plus

(b) sixty percent (60%) of the sum of (x) the Eligible QAF Accounts, minus (y) the corresponding QAF Required Payments (provided, however, availability under this clause (b) shall be $0 if (i) the Borrowers have failed to file with the Bankruptcy Court within thirty (30) days following the Petition Date either (A) the Saint Louise/O'Connor Hospital Bid Procedures Motion, or (B) the Consolidated Sale Motion, in each case unless and until either the Saint Louise/O'Connor Hospital Bid Procedures Motion or the Consolidated Sale Motion is thereafter filed with the Bankruptcy Court within 60 days following the Petition Date, or (ii) the Borrowers have failed to present to the Administrative Agent the Seton Cash Burn Elimination Plan within sixty (60) days following the Petition Date); plus

(c) ninety-five percent (95%) of the amounts held in the Escrow Deposit Account; plus

(d) Ten Million Dollars ($10,000,000) (provided, however, availability under this clause (d) shall be $0 if (i) the Borrowers have failed to file with the Bankruptcy Court within thirty (30) days following the Petition Date either (A) the Saint Louise/O'Connor Hospital Bid Procedures Motion, or (B) the Consolidated Sale Motion, in each case unless and until either the Saint Louise/O'Connor Hospital Bid Procedures Motion or the Consolidated Sale Motion is thereafter filed with the Bankruptcy Court within 60 days following the Petition Date, or (ii) the Borrowers have failed to present to the Administrative Agent the Seton Cash Burn Elimination Plan within sixty (60) days following the Petition Date); minus

(e) such reserves (including a reserve with respect to the Carve-Out Reserve and the Minimum Liquidity required pursuant to Section 7.2), in such amounts and with respect to such matters, as Administrative Agent may deem reasonably necessary from time to time.

"***Borrowing Base Certificate***": a certificate to be delivered by Borrower Representative setting forth a calculation of the Borrowing Base as of the date of such certificate, which certificate shall be substantially in the form of Exhibit A.

"***Budget***": the Initial Budget, together with the updates thereto in form and substance satisfactory to Administrative Agent in its sole discretion, delivered to Administrative Agent and the Lenders pursuant to Section 8.4(b).

"***Business Day***": any day other than a Saturday, Sunday or any day on which commercial banks in New York, New York are authorized or required to close by law or executive order.

"***Buyer***": any purchaser of any Borrower's assets pursuant to the applicable Asset Purchase Agreement and the applicable Asset Sale Order.

"***Capitalized Lease Obligations***": any Indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

"***Carve-Out***": the meaning set forth in the Financing Orders.

"***Carve-Out Reserve***": a reserve against the Borrowing Base in an amount equal to the amount of the Carve-Out, which may be increased or decreased from time to time in Administrative Agent's sole discretion.

"***Cash Equivalents***": (i) readily marketable obligations issued or fully guaranteed by the United States of America or any agency thereof having maturities of not more than twelve (12) months from the date of acquisition thereof, (ii) commercial paper with maturities of not more than 180 days and a published rating of the highest rating attainable by a Rating Agency, (iii) certificates of time deposit and bankers' acceptances having maturities of not more than 180 days and repurchase agreements backed by United States government securities, in each case of a commercial bank if (A) such bank has a combined capital and surplus of at least $500,000,000, or (B) such bank's debt obligations, or those of a holding company of which it is a Subsidiary, are rated not less than Aa (or the equivalent rating) by a Rating Agency, and (iv) U.S. money market funds that invest solely in obligations issued or fully guaranteed by the United States of America or an agency thereof.

"***Cash Flow Forecast***": the Initial Cash Flow Forecast, together with the updates thereto in form and substance satisfactory to Administrative Agent in its sole discretion, delivered to Administrative Agent and the Lenders pursuant to Section 8.4(b).

"***Cash Management Agreements***": any and all cash management, overdraft, treasury, foreign exchange, lockbox, sweep-to-line, controlled disbursement, credit or debit card, EFT, ACH and other agreements entered into from time to time between any Credit Party and Administrative Agent or any Lender or any Lender Affiliate.

"***Cash Management Order***": the order of the Bankruptcy Court entered in the Bankruptcy Cases after the "first day" hearing, together with all extensions, modifications and amendments thereto or any "second day" order, in form and substance satisfactory to the Administrative Agent, which among other matters authorizes such cash management and treasury arrangements as shall be acceptable to the Administrative Agent.

"***CCP***": the meaning set forth in Section 4.22(g).

"***Change in Law***": the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority or (c) compliance by Administrative Agent or any Lender with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided, however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder or issued in connection therewith or in implementation thereof and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

"***Change of Control***": (i) the result caused by the occurrence of any event or series of events which results in VHS owning (beneficially, legally or otherwise), in the aggregate, less than one hundred percent (100%) of any class of the issued and outstanding Equity Interests of any other Borrower, (ii) the pledge, hypothecation or encumbrance of any direct or indirect Equity Interests in any Credit Party, (iii) Rich Adcock ceases for any reason to be the Chief Executive Officer of VHS or to otherwise be involved in the day to day operation of VHS and each Borrower.

"***Closing***": the meaning set forth in Section 3.1.

"***Closing Date***": the date of the making of the initial Revolving Loan (or other extension of credit) hereunder.

"***CMS***": the Centers for Medicare & Medicaid Services or any Governmental Authority succeeding to any of its principal functions.

"***Code***": the Internal Revenue Code of 1986, as amended and as it may be further amended from time to time, any successor statutes thereto, and applicable U.S. Department of Treasury regulations issued pursuant thereto in temporary or final form.

"***Collateral***": any and all assets and rights and interests in or to property, whether real or personal, tangible or intangible, now or hereafter acquired, in which a Lien is granted or purported to be granted pursuant to the Collateral Documents as security for all or any portion of the Obligations.

"***Collateral Access Agreement***": an agreement, satisfactory in form and substance to Administrative Agent in its reasonable credit judgment, by which (a) for any material Collateral located on leased premises, the lessor waives or subordinates any Lien it may have on the Collateral, and agrees to permit Administrative Agent to enter upon the premises and remove the Collateral or to use the premises to store or dispose of the Collateral; (b) for any Collateral held by a warehouseman, processor, shipper or freight forwarder, such Person waives or subordinates any Lien it may have on the Collateral, agrees to hold any Documents in its possession relating to the Collateral as agent for Administrative Agent, and agrees to deliver the Collateral to Administrative Agent upon request; (c) for any Collateral held by a repairman, mechanic or bailee, such Person acknowledges Administrative Agent's Lien, waives or subordinates any Lien it may have on the Collateral, and agrees to deliver the Collateral to Administrative Agent upon request; and (d) for any Collateral subject to a Licensor's Intellectual Property rights, the Licensor grants to Administrative Agent the right, vis-à-vis such Licensor, to enforce Administrative Agent's Liens with respect to the Collateral, including the right to dispose of it with the benefit of the Intellectual Property, whether or not a default exists under any applicable License.

"***Collateral Assignment of Material Agreements***": each collateral assignment of material agreements executed by any Borrower or any other Credit Party in favor of Administrative Agent (for the benefit of itself and the Lenders) satisfactory in form and substance to Administrative Agent, as the same may be amended, restated or otherwise modified from time to time.

"***Collateral Documents***": all agreements, instruments and documents now or hereafter executed and delivered in connection with this Agreement that are intended to create, perfect or evidence Liens in Collateral to Administrative Agent for the benefit of Lenders to secure all or part of the Obligations each in form and substance satisfactory to Administrative Agent, including the Security Agreement, the Pledge Agreement, any Collateral Access Agreements, the Subordination Agreements, the Collateral Assignment of Material Agreements, each deposit account control agreement, the Mortgages and the Financing Order.

"***Collections***": with respect to any Account, all cash collections on such Account.

"***Compliance Certificate***": a certificate executed by an Authorized Officer of Borrower Representative with respect to the compliance by the Borrowers and the other Credit Parties with the terms, conditions and covenants set forth in this Agreement as of the date of such certificate, which certificate shall be substantially in the form of Exhibit B.

"***CON***": a written statement issued by any state authority authorizing a new health facility at a particular location or within a certain geographic region.

"***Concentration Account***" shall have the meaning set forth in Section 2.4(a).

"***Confirmation Date***": the date on which the Confirmation Order is entered in the docket on the Bankruptcy Court.

"***Confirmation Order***": an order of the Bankruptcy Court, in form and substance satisfactory to Administrative Agent, confirming the Plan of Reorganization.

"***Connection Income Taxes***": Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"***Consolidated Sale Motion***": a motion for approval of a negotiated asset sale on terms satisfactory to Administrative Agent executed by a Person that is not an Affiliate of a Borrower for substantially all assets of the Borrowers with expected consideration in the form of cash or assumption of prepetition secured Indebtedness in an amount not less than $700,000,000 and the simultaneous payment in full of the Obligations and termination of all the Revolving Commitments.

"***Contingent Obligation***": as to any Person, any obligation of such Person guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse) any Indebtedness of any other Person, or the granting of a Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guarantied or otherwise supported or, if not a fixed and determined amount, the maximum reasonably anticipated net liability in respect thereof (assuming such Person is required to perform thereunder) as determined by the guaranteeing Person in good faith.

"***Contract Provider***": any Person or any employee, agent or subcontractor of such Person who provides professional health care services under or pursuant to any contract or other arrangement with any Credit Party.

"***Contractual Obligation***": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"***Control***": with respect to any Person, either (i) ownership directly or indirectly of more than 50% of all Equity Interests in such Person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract or otherwise.

"***Credit Party***": each Borrower and each Guarantor.

"***Debtor Relief Laws***": the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws from time to time in effect and affecting the rights of creditors generally.

"***Default***": the occurrence of any event, fact or circumstance which, with the giving of notice or passage of time, or both, would be an Event of Default.

"***Default Rate***": at any time, a rate per annum equal to the lesser of (i) the maximum rate permitted by Applicable Law, or (ii) the per annum effective rate of interest otherwise applicable at such time to the Revolving Loans plus an additional five percent (5%).

"***Defaulting Lender***": subject to Section 12.15(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within one (1) Business Day of the date such Loans were required to be funded hereunder unless such Lender notifies Administrative Agent and Borrowers in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to Administrative Agent, Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Swingline Loans) within one (1) Business Day of the date when due, (b) has notified Borrowers, Administrative Agent or Swingline Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within two (2) Business Days after written request by Administrative Agent or Borrowers, to confirm in writing to Administrative Agent and Borrowers that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by Administrative Agent and Borrowers), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so

long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 12.15(b)) upon delivery of written notice of such determination to Borrowers, Swingline Lender and each other Lender.

"***Deposit Account Bank***": the meaning set forth in Section 2.4(a).

"***Derivative Obligations***": every obligation of a Person under any forward contract, futures contract, exchange contract, swap, option or other financing agreement or arrangement (including caps, floors, collars and similar agreement), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices.

"***Distributions***": any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Borrower or any other Credit Party, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest or on account of any return of capital to any Borrower's or any other Credit Party's stockholders, partners or members (or the equivalent Person thereof).

"***Documents***": any and all of the "documents" (as that term is defined in the UCC), whether now existing or hereafter arising.

"***Dollars***" and "***$***": lawful money of the United States.

"***EEA Financial Institution***": (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"***EEA Member Country***": any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"***EEA Resolution Authority***": any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"***Eligible Account***": subject to the criteria below, an Account of any Borrower that was generated in the ordinary course of such Borrower's business and consistent with past practices which was generated originally in the name of such Borrower and not acquired via assignment or otherwise, and that Administrative Agent, in its reasonable credit judgment, deems to be an Eligible Account. The net amount of Eligible Accounts at any time shall be (a) the face amount of such Eligible Accounts as originally billed minus (b) all cash collections and other proceeds of such Account received from or on behalf of the Account Debtor thereunder as of such date and any and all returns, rebates, discounts (which may, at Administrative Agent's option, be calculated on shortest terms), credits, allowances or excise

taxes of any nature at any time issued, owing, claimed by Account Debtors, granted, outstanding or payable in connection with such Accounts at such time. Without limiting the generality of the foregoing, no Account shall be an Eligible Account if:

(a) the Account or any portion of the Account is payable by a Person other than a Third-Party Payor;

(b) the Account is an obligation of an Account Debtor that has suspended business, made a general assignment for the benefit of creditors, is unable to pay its debts as they become due or is subject to an Insolvency Proceeding, or the Account is an Account as to which any facts, events or occurrences exist which could reasonably be expected to impair the validity, enforceability or collectability of such Account or reduce the amount payable or delay payment thereunder;

(c) the Account Debtor is a natural person (i.e. an individual), or an Affiliate of any Borrower;

(d) any representation and warranty contained in any Loan Document with respect to such Account is not true and correct;

(e) the Account remains unpaid more than one hundred and eighty (180) days past the applicable discharge date;

(f) more than fifty percent (50%) of the net aggregate balance of all Accounts owing from the Account Debtor (and its Affiliates but not including any Government Account Debtor making payments under Medicare or Medicaid) obligated on the Account are outstanding more than one hundred and eighty (180) days after the applicable services were rendered;

(g) without limiting the provisions of clause (f) above, fifty percent (50%) or more of the aggregate unpaid Accounts from the Account Debtor (but not including any Government Account Debtor making payments under a Government Reimbursement Program) obligated on the Account are not deemed Eligible Accounts hereunder for any reason;

(h) to the extent that the Account and all other Accounts owed by any particular Account Debtor and its Affiliates (but not including any Government Account Debtor making payments under a Government Reimbursement Program) exceed twenty percent (20%) of the net amount of all Eligible Accounts (calculated as set forth above) at any one time (including Accounts from any Government Account Debtor making payments under a Government Reimbursement Program);

(i) the Account is subject to any defense, set-off, recoupment, counterclaim, deduction, discount, credit, chargeback, freight claim, allowance, or adjustment of any kind (but such ineligibility shall extend only to the extent of such defense, set-off, recoupment, counterclaim, deduction, discount, credit, chargeback, freight claim, allowance, or adjustment), or the Borrower owning such Account is not able to bring suit or otherwise enforce its remedies against the Account Debtor through administrative or judicial process, as applicable;

(j) the Account involves (i) a workers' compensation claim which is not covered by a Third-Party Payor or (ii) services delivered for injury sustained in a motor vehicle accident, the repayment of which is contingent on litigation;

(k) the applicable Account Debtor for such Account is any Governmental Authority, and, following a written request by Administrative Agent to Borrowers, rights to payment of such

Account have not been assigned to Administrative Agent (for the benefit of itself and the Lenders) pursuant to the Federal Assignment of Claims Act, 31 U.S.C. § 3727 et seq. (as amended from time to time), or all other applicable statutes or regulations respecting the assignment of Lockbox Accounts have not been complied with (for example, with respect to all Accounts payable directly by a Government Account Debtor);

(l) if the Account arises from the performance of services, the services have not actually been performed, or the services were undertaken in violation of any Applicable Law;

(m) the Account includes late charges or finance charges (but only such portion of the Account shall be ineligible);

(n) the Account arises out of a cost report settlement or constitutes a disproportionate share hospital payment;

(o) the Account is not subject to a valid and enforceable First Priority Lien in favor of Administrative Agent (for the benefit of itself and the Lenders);

(p) the Account is not evidenced by an invoice, statement or other documentary evidence satisfactory to Administrative Agent; provided, however, that Eligible Unbilled Accounts in an aggregate amount not to exceed twelve and one half percent (12.5%) of Availability at any time may constitute Eligible Accounts notwithstanding that such Accounts have not been billed to the applicable Account Debtor as described in this clause (p);

(q) the Account (or the right to payment on or proceeds of such Account) has been sold or otherwise disposed of, or the Account (i) arises from a Healthcare Facility that has been sold or otherwise disposed of and (ii) remains unpaid after the earlier to occur of (x) sixty (60) days past the date the applicable Healthcare Facility was sold or otherwise transferred or (y) forty-five (45) days before the Scheduled Termination Date; or

(r) the Account or Account Debtor fails to meet such other specifications and requirements which may from time to time be established by Administrative Agent in its reasonable credit judgment;

provided, that neither QAF Accounts nor Eligible QAF Accounts shall constitute Eligible Accounts.

"***Eligible QAF Account(s)***": QAF Accounts of a Borrower arising under the QAF Phase V Program constituting fully earned (a) managed care "Cycle 1" receivables expected to be collected by the managed care health plan by April 30, 2019 ("***Cycle 1 Accounts***"), or (b) managed care "Cycle 2" pass-through receivables expected to be collected by the managed care health plan by September 30, 2019 ("***Cycle 2 Accounts***"), the value of which, in each case, shall be at any time the amount of expected estimated payments as reasonably determined by Administrative Agent in accordance with the documentation provided by Borrowers to Administrative Agent. Without limiting the generality of the foregoing, no QAF Account shall be an Eligible Account if: (i) any rights to payment with respect to the QAF Account are held by any Person not a Credit Party and not subject to a Subordination Agreement in form and substance satisfactory to Administrative Agent in its sole discretion, (ii) the QAF Account is not subject to a valid and enforceable First Priority Lien in favor of Administrative Agent; (iii) with respect to Cycle 1 Accounts, the QAF Account has not been received by the Borrowers May 31, 2019, (iv) with respect to Cycle 2 Accounts, the QAF Account has not been received by the Borrowers by October 31, 2019, or (v) the QAF Account (or the right to payment on or proceeds of such QAF Account) has been

sold or otherwise disposed of or arises from a Healthcare Facility that has been sold or otherwise disposed of.

"***Eligible Unbilled Account(s)***": an Account of any Borrower meeting all of the criteria of an Eligible Account except that an invoice, statement or other billing document has not yet been created or sent, provided, that, any such Account will cease to be an Eligible Unbilled Account on the earlier to occur of (i) the date on which such Account becomes evidenced by an invoice, statement or other documentary evidence of any kind, or (ii) the twenty-second (22nd) day following the date on which the applicable patient was discharged.

"***Environmental Laws***": any and all Laws pertaining to the environment, natural resources, pollution, health (including any environmental clean-up statutes and all regulations adopted by any local, state, federal or other Governmental Authority, and any statute, ordinance, code, order, decree, law rule or regulation all of which pertain to or impose liability or standards of conduct concerning medical waste or medical products, equipment or supplies), safety or cleanup that apply to any Credit Party and relate to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. § 9601 *et seq.*), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. § 6901 *et seq.*), the Federal Water Pollution Control Act (33 U.S.C. § 1251 *et seq.*), the Hazardous Materials Transportation Act (49 U.S.C. § 5101 *et seq.*), the Clean Air Act (42 U.S.C. § 7401 *et seq.*), the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. § 136 *et seq.*), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 *et seq.*), the Occupational Safety and Health Act (29 U.S.C. § 651 *et seq.*, to the extent it regulates occupational exposure to Hazardous Materials), the Residential Lead-Based Paint Hazard Reduction Act (42 U.S.C. § 4851 *et seq.*), any analogous state or local laws, any amendments thereto, and the regulations promulgated pursuant to said laws, together with all amendments from time to time to any of the foregoing and judicial interpretations thereof.

"***Environmental Notice***": a notice (whether written or oral) from any Governmental Authority or other Person of any possible material noncompliance with, investigation of a possible material violation of, litigation relating to, or potential fine or liability under any Environmental Law, or with respect to any material Environmental Release, environmental pollution or Hazardous Materials, including any complaint, summons, citation, order, claim, demand or request for correction, remediation or otherwise.

"***Environmental Release***": a release of Hazardous Materials as defined in or under any Environmental Law.

"***Equity Interests***": with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in, including membership interests in) such Person, whether voting or non-voting, and all warrants, options or other rights (regardless of how designated) for the purchase or acquisition from such Person of such shares of capital stock of (or other ownership or profit interests in, including membership interests in or beneficial interest in a trust of) such Person.

"***ERISA***": the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder.

"***ERISA Affiliate***": all members of a controlled group of corporations and all trades and business (whether or not incorporated) under common control and all other entities which, together with each Borrower and each other Credit Party, are treated as a single employer under any or all of Section 414(b), (c), (m) or (o) of the Code.

"***EU Bail-In Legislation Schedule***": the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"***Event of Default***": the meaning set forth in Section 9.1.

"***Excess Availability***": as of any date of determination, the amount that Borrowers are entitled to borrow as Revolving Loans under Section 2.1 of this Agreement (after giving effect to the Outstanding Amount).

"***Excluded Swap Obligation***": any and all of each Credit Party's Swap Obligations if, and to the extent that, all or a portion of the guarantee of such Credit Party of, or the grant by such Credit Party of a Lien to secure, such Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act (or the application or official interpretation thereof) by virtue of such Credit Party's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act (determined after giving effect to any "keepwell, support or other agreement" for the benefit of such Credit Party and any and all guarantees of such Credit Party's Swap Obligations by the other Credit Parties) at the time the guarantee of such Credit Party, or grant by such Credit Party of a Lien, becomes effective with respect to such Swap Obligation.

"***Excluded Taxes***": any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Revolving Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loans or Revolving Commitment (other than pursuant to an assignment request by the Borrowers under Section 12.15) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.14, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.14 and (d) any U.S. federal withholding Taxes imposed under FATCA.

"***Expenses***": (i) any and all reasonable costs, fees and expenses of Administrative Agent add any Lender in connection with the analysis, negotiation, preparation, execution, administration, syndication, delivery, termination and court approval of this Agreement, the Financing Orders, the other Loan Documents and the documents and instruments referred to herein and therein, and any amendment, restatement, supplement, waiver or consent relating hereto or thereto, whether or not any such amendment, restatement, supplement, waiver or consent is executed or becomes effective, (ii) any and all reasonable costs, fees and expenses of Administrative Agent and each Lender in connection with the enforcement of Administrative Agent's and Lenders' rights hereunder (including, without limitation, field examination expenses), or the collection of any payments owing from, the Credit Parties hereunder and/or the other Loan Documents or the protection, preservation or defense of the rights of Administrative Agent and Lenders hereunder and under the other Loan Documents, (iii) the analysis, negotiation, and preparation of the Financing Orders, the Asset Sale Documents and any other documents filed in or prepared in connection with the Bankruptcy Cases, and the preparation for, travel to and participation in any hearings or proceedings in connection with any of the foregoing, and (iv) any Lien, litigation and other search costs, the reasonable fees, expenses and disbursements of legal counsel for Administrative Agent and Lenders, including the charges of internal legal counsel, any fees or expenses incurred by Administrative Agent under Section 11.15 for which any Borrower or any other Credit Party are obligated

thereunder, and charges of any expert, appraiser, auditor or other consultant to Administrative Agent and Lenders.

"***FATCA***": Sections 1471 through 1474 of the Code as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b) of the Code.

"***Federal Funds Effective Rate***": with respect to each Reset Date, the rate per annum (expressed, as a decimal, rounded upwards, if necessary, to the next higher one one-hundredth of one percent (1/100 of 1%)) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, (i) if such day is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Effective Rate for such day shall be the average rate charged to Ally Bank or any other Lender selected by the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"***Final Order***": an order of the Bankruptcy Court in the Bankruptcy Cases which approves the transactions contemplated by this Agreement, the other Loan Documents and the Liens and Guaranties, if any, granted hereunder and thereunder and the other transactions contemplated hereby and thereby on a final basis and is in form and substance acceptable to Administrative Agent and the Lenders, as the same may be amended, modified or otherwise supplemented from time to time in compliance with this Agreement.

"***Financing Orders***": the Interim Order or, when applicable, the Final Order.

"***First Priority***": with respect to any Lien purported to be created in any Collateral pursuant to any Collateral Document, that such Lien is the only Lien to which such Collateral is subject other than Permitted Liens that are non-consensual Permitted Liens or those purchase money Liens expressly permitted hereunder.

"***Fiscal Quarter***": the fiscal period of each Borrower and the other Credit Parties ending on March 31, June 30, September 30 and December 31 in each Fiscal Year.

"***Fiscal Year***": the fiscal year of each Borrower and the other Credit Parties ending on June 30 in each calendar year.

"***Foreign Lender***": (a) if any Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if any Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which such Borrower is resident for tax purposes.

"***GAAP***": generally accepted accounting principles in the United States of America as of the date of the applicable financial report.

"***Government Account Debtor***": an Account Debtor that is a Government Reimbursement Program.

"***Government Lists***": (i) the Specially Designated Nationals and Blocked Persons lists maintained by Office of Foreign Assets Control ("***OFAC***"), (ii) any other list of terrorists, terrorist

organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC that Administrative Agent notified Borrowers in writing is now included in "Government Lists", or (iii) any similar lists maintained by the United States Department of State, the United States Department of Commerce or any other Governmental Authority or pursuant to any Executive Order of the President of the United States of America that Administrative Agent notified Borrowers in writing is now included in "Government Lists".

"***Government Reimbursement Program***": (i) Medicare (including any Medicare managed care program), (ii) Medicaid (including any Medicaid managed care program), (iii) TRICARE, (iv) the Federal Employees Health Benefit Program under 5 U.S.C. §§ 8902 et seq., (v) the Civilian Health and Medical Program of the Department of Veteran Affairs, (vi) any other Federal, state or local health care reimbursement program, and (vii) any agent, administrator, intermediary or carrier for any of the foregoing.

"***Governmental Authority***": any court, board, agency, commission, office or authority of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise) now or hereafter in existence.

"***Governmental Authorization***": any permit, license, registration, authorization, certificate, accreditation, plan, directive, consent order or consent decree of or from, or notice to, any Governmental Authority.

"***Guarantor***": each Person who on or after the Closing Date guarantees the payment and performance of the Obligations.

"***Guaranty***": each guaranty agreement executed by any Guarantor in favor of Administrative Agent (for the benefit of itself and the Lenders), pursuant to which such Guarantor guarantees the payment and performance of the Obligations, in form and substance satisfactory to Administrative Agent, in each case as the same may be amended, restated, replaced or otherwise modified from time to time.

"***Hazardous Materials***": any and all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"***Healthcare Authorizations***": any and all Governmental Authorizations and permits, licenses, provider agreements, authorizations, approvals, certificates, certificates of need, accreditations and plans of third-party accreditation agencies (such as the Joint Commission), provider agreements with Government Reimbursement Programs and Non-Government Payors, in each case that are (a) necessary to enable any Borrower to engage in the Healthcare Services, participate in and receive payment under Government Reimbursement Programs and plans of Non-Government Payors to conduct the Credit Parties' business and operations as presently conducted or (b) required under any Healthcare Laws to continue to conduct its business as it is conducted on the date of this Agreement or otherwise applicable to the ownership of a Healthcare Facility.

"***Healthcare Facility***": each facility set forth on Schedule 4.23 and each other facility, including, without limitation, any hospital, medical office building, or similar facility, owned or leased by a Borrower which is subject to any Healthcare Authorization and from which any Borrower or any other Person provides or furnishes Healthcare Services.

"***Healthcare Laws***": any and all Applicable Laws relating to the possession, control, warehousing, marketing, sale and distribution of pharmaceuticals, the operation of medical or senior housing facilities (such as, but not limited to, hospitals, ambulatory surgery centers, behavioral health facilities, nursing homes, skilled nursing facilities and rehabilitation hospitals), patient healthcare, patient healthcare information, patient abuse, the quality and adequacy of medical care, rate setting, equipment, personnel, operating policies, fee splitting, including (a) all federal and state fraud and abuse Laws, including, the federal Anti-Kickback Statute (42 U.S.C. §1320a-7b(b)), the Stark Law (42 U.S.C. §1395nn), the civil False Claims Act (31 U.S.C. §3729 et seq.), the federal health care program exclusion provisions (42 U.S.C. §1320a-7) and the Civil Monetary Penalties Act (42 U.S.C. §1320a-7a), (b) HIPAA, (c) Medicare, (d) Medicaid, (e) quality of medical care and accreditation standards and requirements of all applicable state Laws or regulatory bodies, (f) all laws, policies, procedures, requirements and regulations pursuant to which Healthcare Authorizations are issued, and (g) any and all other applicable healthcare laws, regulations, manual provisions, policies and administrative guidance, each of (a) through (g) as may be amended from time to time.

"***Healthcare Services***": providing or arranging to provide or administering, managing or monitoring healthcare goods and services including physician services, nurse and therapist services, hospital services, outpatient services, long-term care or any business or activity that is reasonably similar thereto or a reasonable extension, development or expansion thereof or ancillary thereto.

"***HIPAA***": the Health Insurance Portability and Accountability Act of 1996, the Health Information Technology for Economic and Clinical Health Act of 2009, and any state and local laws regulating the privacy and/or security of individually identifiable information, in each case as the same may be amended, modified or supplemented from time to time, and any successor statute thereto, and any and all rules or regulations promulgated from time to time thereunder.

"***Indebtedness***": without duplication, (a) all indebtedness of such Person for borrowed money, whether or not evidenced by bonds, debentures, notes or similar instruments, (b) all Capitalized Lease Obligations of such Person, (c) all obligations of such Person to pay the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business), (d) all obligations, contingent or otherwise, with respect to the face amount of all letters of credit (whether or not drawn) and banker's acceptances issued for the account of such Person, (e) all Derivative Obligations of such Person, (f) all Contingent Obligations, (g) all liabilities of any partnership or joint venture of which such Person is a general partner or joint venturer, (h) all obligations of such Person to make any payment in connection with any warrants or any other Equity Interests including any put, redemption and mandatory dividends, of such Person or any Affiliate thereof and (i) all indebtedness secured by a Lien on the property of such Person, whether or not such indebtedness shall have been assumed by such Person.

"***Indemnified Taxes***": (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Credit Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

"***Ineligible Assignee***": (i) any natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person), (ii) any Credit Party or any of its Affiliates or (iii) any Defaulting Lender or any Affiliate of any Defaulting Lender or any Person who, upon becoming a Lender hereunder, would constitute a Defaulting Lender or an Affiliate thereof.

"***Initial Budget***": the statement of projected receipts and disbursements of the Borrowers for the period beginning on the Closing Date and ending on the Scheduled Termination Date, broken down by week, including the anticipated uses of the Revolving Loans for such period, delivered to

Administrative Agent on or about the Petition Date, in form and substance acceptable to Administrative Agent and the Lenders in their sole discretion and in effect as of the Petition Date.

"***Initial Cash Flow Forecast***": the initial cash flow forecast delivered pursuant to Section 3.1(a)(ii), attached hereto as Exhibit F, depicting on a weekly basis cash revenue, receipts, expenses, disbursements, outstanding advances under the Loans and other information for the 13 fiscal week period following the Closing Date.

"***Insolvency Proceeding***": with respect to any Person, (a) a case, action or proceeding with respect to such Person: (i) before any court or any other Governmental Authority under any Debtor Relief Law, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Person or otherwise relating to the liquidation, dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors; undertaken under any Law.

"***Intellectual Property***": all intellectual and similar property of a Person, including inventions, designs, patents, patent applications, copyrights, trademarks, service marks, trade names, trade secrets, confidential or proprietary information, customer lists, know-how, software and databases; all embodiments or fixations thereof and all related documentation, registrations and franchises; all books and records describing or used in connection with the foregoing; and all licenses or other rights to use any of the foregoing.

"***Interim Commitment Amount***": Thirty Million Dollars ($30,000,000).

"***Interim Hearing***": the meaning set forth in Section 4.30(b).

"***Interim Order***": the order of the Bankruptcy Court entered in the Bankruptcy Cases, in form and substance satisfactory to Administrative Agent, approving this Agreement, the other Loan Documents and the Liens and Guaranties, if any, granted hereunder and thereunder and the other transactions contemplated thereby on an interim basis, which shall be in full force and effect until the entry of the Final Order, and which shall not have been stayed, reversed, vacated or otherwise modified (other than with the consent of the Required Lenders in their sole discretion).

"***Inventory***": any and all "inventory" (as that term is defined in the UCC) of any Person, whether now existing or hereafter arising.

"***Investment***": as to any Person, (a) any direct or indirect acquisition or investment by such Person, whether by means of the purchase or other acquisition of the properties and assets or Equity Interests or other securities of another Person, including the acquisition, operation, management or lease of any Healthcare Facility other than the Healthcare Facilities operated by Borrowers as of the Closing Date, (b) any loan, advance or capital contribution to, assumption of debt of, or purchase or other acquisition of any other debt or Equity Interests in, another Person, including any partnership, membership or joint venture interest in such other Person and any arrangement pursuant to which the investor provides a Contingent Obligation for such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit.

"***IRS***": the United States Internal Revenue Service, or any Governmental Authority succeeding to any of its principal functions.

"***Joint Commission***": the Joint Commission, formerly known as the Joint Commission on Accreditation of Healthcare Organizations or other similar agency.

"***Laws***": collectively, all international, foreign, federal, state and local statutes, laws (including common law), treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents, authorities, rulings, decrees, judgments, writs, injunctions, orders, awards or opinions, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, in each case whether or not having the force of law.

"***Lease Agreement(s)***": [_____], as the same may be amended, restated, replaced, or otherwise modified from time to time in accordance with the terms and conditions of this Agreement.

"***Lender(s)***": the meaning set forth in the introductory paragraph hereto, and including Revolving Lenders and Swingline Lender.

"***Lender Affiliate***": with respect to any Lender, any Person which, directly or indirectly, is in Control of, is Controlled by, or is under common Control with such Lender.

"***LIBOR Rate***": with respect to each Reset Date, the higher of (i) 2.0% and (ii) a rate per annum equal to:

(1) the offered rate for deposits in U.S. Dollars in an amount comparable to the amount of the applicable Loan for a period of one month which is published by the ICE Benchmark Administration (or any successor thereto) and currently appears on the Reuters LIBOR01 Page as of 11:00 a.m. (London time), on the day that is two (2) London banking days preceding such Reset Date; provided, however, that if such a rate ceases to be available to Administrative Agent on that or any other source from the ICE Benchmark Administration (or any successor thereto), the LIBOR Rate shall be equal to a rate per annum equal to the average rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which Administrative Agent determines that Dollars in an amount comparable to the amount of the applicable Loans are being offered to prime banks at approximately 11:00 a.m. (London time) on the day which is two (2) Business Days prior to the Reset Date for a term of one month for settlement in immediately available funds by leading banks in the London interbank market selected by Administrative Agent; divided by

(2) a number equal to one (1.0) minus the maximum reserve percentages (expressed as a decimal fraction) (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) which are required to be maintained by any Lender by the Board of Governors of the Federal Reserve System; such rate to be rounded upward to the next whole multiple of one-sixteenth of one percent (0.0625%). The LIBOR Rate shall be adjusted automatically on and as of the effective date of any change in any such reserve percentage.

"***License***": any license or agreement under which any Borrower or any other Credit Party is authorized to use Intellectual Property in connection with any manufacture, marketing, distribution or

disposition of Collateral, any use of property, the operation of any Healthcare Facility or any other conduct of its business.

"***Licensor***": any Person from whom any Borrower or any other Credit Party obtains the right to use any Intellectual Property.

"***Lien***": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing). "*Lien*" shall not include the rights of any Government Account Debtor to recoup or setoff against any Account of such Government Account Debtor.

"***Loan Documents***": collectively, this Agreement, the Collateral Documents, any Revolving Note, each Guaranty, and all other documents, agreements and instruments now or hereafter evidencing, securing or delivered to Administrative Agent or any Lender in connection with the Loans or transactions contemplated by this Agreement, including the agreements and other documents set forth on Schedule 6 attached hereto, as each may be amended, restated or otherwise modified from time to time.

"***Loan Notice***": a notice requesting the making of a Revolving Loan or a Swingline Loan which shall either be included as a part of a Borrowing Base Certificate or be delivered separately in the form of Exhibit D.

"***Loans***": the collective reference to the Revolving Loans and the Swingline Loans, and "***Loan***" means any of such Loans.

"***Lockbox Account***": those certain deposit accounts maintained by Borrowers with the Deposit Account Bank into which all collections of Accounts of such Borrower from Government Account Debtors and/or Non-Government Payors are obligated are paid directly.

"***Management Agreements***": each management agreement or similar agreement for the day-to-day management of one or more Healthcare Facilities for a Borrower, as same may be amended, restated, replaced, supplemented or otherwise modified from time to time in accordance with Section 6.14.

"***Management Fee Subordination Agreement***": any Management Fee Subordination Agreement by and among Administrative Agent, Borrowers and Manager.

"***Management Fees***": the management fees as set forth in each Management Agreement.

"***Manager***": each manager under a Management Agreement.

"***Material Adverse Effect***": (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Borrowers, taken as a whole (other than as customarily occurs as a result of the commencement of a proceeding under Chapter 11 of the Bankruptcy Code by the Borrowers and the commencement of the Bankruptcy Cases), on the value of any material Collateral, on the enforceability of any Loan Documents, or on the validity or priority of Liens on any material Collateral in favor of Administrative Agent (for the benefit of itself and the Lenders); (b) a material impairment of the ability of any Credit Party to perform its obligations under any Loan Document to which it is a party; or (c) a

material adverse effect upon the legality, validity, binding effect or enforceability against any Credit Party of any Loan Document to which it is a party.

"***Material Citation***": any operational, compliance or physical plant deficiency with respect to any Healthcare Facility of which any Borrower or any other Credit Party is notified in writing by any Governmental Authority or Government Reimbursement Program, and with respect to which the potential penalty for such deficiency is a loss of licensure, decertification of such Healthcare Facility from participation in any Government Reimbursement Program, the appointment of a temporary manager for such Healthcare Facility, the denial of payment for new admissions to such Healthcare Facility, the initiation of state monitoring of such Healthcare Facility, or the closure of such Healthcare Facility.

"***Material Contract***": each of the Lease Agreement, any Management Agreements and any other contract or other arrangement to which any Borrower or any other Credit Party is a party (other than the Loan Documents) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect.

"***Maximum Swingline Loan Amount***": at any time the lesser of (a) Ten Million Dollars ($10,000,000) and (b) the amount that would cause the Revolving Loan to exceed the Availability.

"***Medicaid***": collectively, the healthcare assistance program established by Title XIX of the Social Security Act (42 U.S.C. §§ 1396 *et seq.*) and any statutes succeeding thereto, all state statutes and plans for medical assistance enacted in connection with such program, and all laws, rules, regulations, manuals, orders, guidelines or requirements (whether or not having the force of law) pertaining to such program, in each case as the same may be amended, supplemented or otherwise modified from time to time.

"***Medicare***": collectively, the health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. §§ 1395 *et seq.*) and any statutes succeeding thereto, and all laws, rules, regulations, manuals, orders or guidelines (whether or not having the force of law) pertaining to such program, in each case as the same may be amended, supplemented or otherwise modified from time to time.

"***Minimum Liquidity***": as of any date, the sum of the following for Borrowers collectively on a consolidated basis for the most recently ended Test Period: (a) the average daily balance of unrestricted cash on hand (net of checks or other items of payment issued but not yet cashed or otherwise posted) in operating deposit accounts of Borrowers, *plus* (b) the average daily Excess Availability; provided that Excess Availability shall be calculated for purposes of this definition without giving effect to a reserve for Minimum Liquidity. Credit Parties shall provide to Administrative Agent, promptly upon Administrative Agent's request therefor, a "screen shot" of the account page on the official website of the Deposit Account Bank showing the current account balance with respect to each deposit account utilized in the calculation of Minimum Liquidity.

"***Mortgage***": each mortgages, deeds of trust and comparable documents executed by any Borrower in favor of Administrative Agent (for the benefit of itself and the Lenders), by which such Borrower has granted to Administrative Agent, as security for the Obligations, a Lien upon the real property of such Borrower.

"***Net Collectable Value***" percentages that Administrative Agent, in the exercise of its reasonable credit judgment, applies from time to time to Eligible Accounts by payor class (e.g., Medicare, Medicaid, Medicare managed care, Medicaid managed care, commercial insurance, etc.) based upon Administrative Agent's review and analysis of, among other things, any Borrower's historical collection

history, contractual allowances, returns, rebates, discounts, credits and other allowances for each such payor class and taking into account other factors deemed appropriate by Administrative Agent which may result in the possible non-payment of Accounts for any reason or possible diminution of the value of any Collateral, all in a manner consistent with Administrative Agent's underwriting practices and procedures.

"***Non-Government Payors***": any Third-Party Payors other than the Government Reimbursement Programs.

"***Notes***": the collective reference to the Revolving Notes and the Swingline Notes (in each case, if any), and "***Note***" means any of such Notes.

"***Obligations***": any and all Loans and other existing and future debts, liabilities and obligations of every kind or nature at any time owing by any Borrower and any other Credit Party to Administrative Agent, Lenders, Swingline Lenders or any Lender Affiliate arising out of, under, pursuant to, in connection with, or evidenced by this Agreement or any of the other Loan Documents, whether joint or several, related or unrelated, primary or secondary, matured or contingent, due or to become due, and whether constituting principal, interest, fees, indemnification obligations or Expenses (and specifically including any interest, fees or expenses accruing after the commencement of any Insolvency Proceeding with respect to any Borrower or any other Credit Party, whether or not a claim for such post-commencement interest, fees or expenses is allowed); any Approved Cash Management Obligations; and the payment of all Protective Advances and other amounts advanced by Administrative Agent, any Lender or any Lender Affiliate to preserve, protect and enforce rights hereunder and in the Collateral. Notwithstanding anything in this definition to the contrary, "Obligations" as used herein and in the Loan Documents, shall not include any Credit Party's Excluded Swap Obligations.

"***O'Connor Hospital***": the hospital commonly known as O'Connor Hospital, located at 2105 Forest Avenue, San Jose, California 95128.

"***OFAC***": the meaning set forth in the definition of "***Government Lists***".

"***Organization Documents***": (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement or limited liability company agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"***Other Connection Taxes***": with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"***Other Taxes***": all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or

otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment of any interest in any Loan or Loan Document.

"***Outstanding Amount***": with respect to the Revolving Facility on any date, the sum of (i) the aggregate outstanding principal amount of all Revolving Loans as of such date and (ii) the aggregate outstanding principal amount of all Swingline Loans, after giving effect, without duplication, to any borrowings and prepayments or repayments of Revolving Loans or Swingline Loans occurring on such date.

"***PACE Bond Trustee***": the meaning set forth in the recitals.

"***Participant***": the meaning set forth in Section 10.01(d).

"***Patriot Act***": the meaning set forth in Section 5.15(a).

"***Patriot Act Offense***": any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (a) the criminal laws against terrorism; (b) the criminal laws against money laundering, (c) the Bank Secrecy Act, as amended, (d) the Money Laundering Control Act of 1986, as amended, or the (e) Patriot Act. "***Patriot Act Offense***" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense.

"***Payment Date***": the first day of each calendar month, commencing on the first day of the first full calendar month after the Closing Date.

"***PBGC***": the Pension Benefit Guaranty Corporation or any Governmental Authority succeeding to any of its principal functions.

"***Permitted Asset Disposition***": an Asset Disposition that is (a) a sale of Inventory in the ordinary course of business or any other disposition of Inventory that is obsolete, unmerchantable or otherwise unsaleable in the ordinary course of business; (b) a disposition of equipment that, in the aggregate during any 12 month period, has a fair market or book value (whichever is more) of $100,000 or less; (c) a termination of a lease of real or personal property (other than one that is a Material Contract) that is not necessary for the ordinary course of business, could not reasonably be expected to have a Material Adverse Effect and does not result from a default by any Borrower or any other Credit Party; or (d) any Asset Sale pursuant to Asset Sale Documents in form and substance satisfactory to Administrative Agent in its reasonable discretion.

"***Permitted Contingent Obligations***": (a) Guaranties of Indebtedness hereunder made by the Guarantors, (b) endorsements of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, and (c) Contingent Obligations incurred in the ordinary course of business with respect to surety, appeal or performance bonds or other similar obligations not to exceed $[_____] in the aggregate at any time outstanding.

"***Permitted Indebtedness***": (a) Indebtedness to Administrative Agent and Lenders in connection with the Loans or otherwise pursuant to the Loan Documents; (b) [reserved]; (c) unsecured trade payables incurred in the ordinary course of a Credit Party's business and which do not remain unpaid more than ninety (90) days after the due date thereof; (d) [reserved], (e) Indebtedness existing on the Closing Date, (f) Permitted Contingent Obligations, (g) [reserved], (h) other unsecured Indebtedness in an aggregate outstanding amount not to exceed $[_____] at any one time, and (i) Subordinated

Indebtedness, provided that any Subordinated Indebtedness shall require the approval of Administrative Agent.

"***Permitted Intercompany Loans***": loans in the nature of intercompany debits and credits made on the books of any Borrower to any other Borrower.

"***Permitted Investments***": (a) Investments existing on the Closing Date that are disclosed under the heading "Permitted Investments" on Schedule 2 hereto, and (b) Investments in Cash Equivalents.

"***Permitted Liens***": (a) Liens securing taxes, assessments or governmental charges or levies not delinquent; (b) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, social security and other like laws; (c) [reserved]; (d) Liens existing on the Closing Date and disclosed under the heading "Permitted Liens" on Schedule 2 hereto; (e) Liens in favor of Administrative Agent (for the benefit of itself and the Lenders) securing the Obligations; (f) other Liens which do not secure Indebtedness for borrowed money or letters of credit and as to which the aggregate amount of the obligations secured thereby does not exceed $[100,000]; and (g) such other Liens as approved in the Financing Orders.

"***Person***": any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association, Governmental Authority, any other person or entity, and any fiduciary acting in such capacity on behalf of any of the foregoing.

"***Petition Date***": the meaning set forth in the recitals.

"***Plan***": (i) an employee benefit or other plan established or maintained by any Borrower or any ERISA Affiliate or any such Plan or to which any Borrower or any ERISA Affiliate makes or is obligated to make contributions and (ii) which is subject to Title IV of ERISA or Section 302 of ERISA or Section 412 of the Code.

"***Plan Documentation***": the Plan of Reorganization and all documentation related thereto or referenced therein, including without limitation any amendments, modifications or supplements to any of the foregoing, including any subsequent plans of reorganization, any motions related thereto and the Confirmation Order.

"***Plan of Reorganization***": as the same may be amended, modified or otherwise supplemented in compliance with this Agreement, one or more plans of reorganization of the Borrowers in their Bankruptcy Cases which singly or in the aggregate provide for the indefeasible payment in full, in cash and in accordance with the terms of this Agreement of all Obligations which are due and owing as of the effective date of such plan(s) of reorganization.

"***Pledge Agreement***": that certain Pledge Agreement, dated as of the Closing Date, executed by each Pledgor in favor of Administrative Agent (for the benefit of itself and the Lenders), and each other pledge agreement executed by any Pledgor in favor of Administrative Agent (for the benefit of itself and the Lenders), in each case as the same may be amended, restated, replaced, severed, split, supplemented or otherwise modified from time to time.

"***Pledgor***": VHS and any other Person who executes a Pledge Agreement and grants a security interest in any Equity Interests of a Borrower or another Credit Party that are owned by such Person to secure the Obligations.

"***Postpetition***" or "***postpetition***": the time period commencing on the Petition Date and ending on the Reorganization Effective Date.

"***Prepetition***" or "***prepetition***": the time period prior to the Petition Date.

"***Pro Rata Share***": with respect to a Lender's obligation to make its share of Revolving Loans and receive payments of principal, interest, fees, costs, and expenses with respect thereto and for all other purposes hereunder (including the indemnification obligations arising under Section 12.7), the percentage obtained by dividing (i) such Lender's Revolving Commitment (or, after the termination of the Revolving Commitment, the Outstanding Amount of such Lender), by (ii) the aggregate amount of all Lenders' Revolving Commitments (or, after the termination of the Revolving Commitment, the Outstanding Amount of all Lenders).

"***Protective Advances***": the meaning set forth in Section 2.13.

"***QAF Account(s)***": Accounts arising under the QAF Program.

"***QAF Phase V Program***": the meaning set forth in the definition of "QAF Program."

"***QAF Program***": the Medi-Cal supplemental payments program that imposes a quality assurance fee to be paid by hospitals that is used to obtain increased federal Medicaid matching funds as implemented: (a) with respect to the January 1, 2014 – December 31, 2016, program period, pursuant to the Medi-Cal Hospital Reimbursement Improvement Act of 2013 (Article 5.230 (commencing with Section 14169.50) of Chapter 7 of Part 3 of Division 9 of the California Welfare and Institutions Code, enacted by California Senate Bill 239 (Stats. 2013, Ch. 637)); (b) the January 1, 2017 – June 30, 2019 program period, pursuant to the Medi-Cal Hospital Reimbursement Improvement Act of 2013 (Article 5.230 (commencing with Section 14169.50) of Chapter 7 of Part 3 of Division 9 of the California Welfare and Institutions Code, enacted by California Senate Bill 239 (Stats. 2013, Ch. 637)) (the "***QAF Phase V Program***"); (c) with respect to the July 1, 2011 – December 31, 2013, program period pursuant to the Medi-Cal Hospital Provider Rate Improvement Act of 2011 and Private Hospital Quality Assurance Fee Act of 2011 (Article 5.228 (commencing with Section 14169.1) and Article 5.229 (commencing with Section 14169.31) of Chapter 7 of Part 3 of Division 9 of the California Welfare and Institutions Code, enacted by California Senate Bill 335 (Stats. 2011, Ch. 286)); (d) with respect to prior program periods pursuant to the Medi-Cal Hospital Provider Rate Stabilization Act and the Quality Assurance Fee Act enacted by California Assembly Bill 1383 (Stats. 2009, Ch. 627) and its amendments, and the Medi-Cal Hospital Rate Stabilization Act of 2011 and Hospital Quality Assurance Fee Act of 2011 enacted by California Senate Bill 90 (Stats. 2011, Ch. 19); and (e) with respect to any subsequent program period for which Medi-Cal supplemental payments are provided pursuant to the current quality assurance fee program, or legislation modifying or extending the quality assurance fee program or enacting a successor quality assurance fee program or similar statewide hospital fee program.

"***QAF Required Payment***": each required periodic payment pursuant to the QAF Program of the (a) managed care tax and (b) pledge fee payable to the California non-profit foundation required pursuant to the QAF Program.

"***Rating Agency***": each of Standard & Poor's, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc., and Fitch, Inc., a division of Fitch Ratings Ltd. or any other nationally-recognized statistical rating organization.

"***Recipient***": the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any Obligation of any Credit Party hereunder or under any other Loan Document.

"***Related Parties***" with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"***Reorganization Effective Date***": the effective date the Plan of Reorganization.

"***Reorganization Milestones***": (a) the filing by the Borrowers in the Bankruptcy Cases of a Plan of Reorganization on or before the date that is one hundred and twenty (120) days following the Petition Date and accompanying disclosure statement with respect to such Plan of Reorganization, provided that such date is further extended to the end of the Borrower's exclusivity period in the related Bankruptcy Case upon entry of an order extending the Borrower's exclusivity period, and (b) the filing by the Borrowers within sixty (60) days following the Petition Date of either (i) the Saint Louise/O'Connor Hospital Bid Procedures Motion, or (ii) the Consolidated Sale Motion.

"***Required Insurance***": the meaning set forth in Section 5.4.

"***Required Lenders***": as of any date of determination, (a) if there are two (2) or fewer Lenders, Lenders holding one hundred percent (100%) of the aggregate Revolving Commitments, or (b) if there are more than two (2) Lenders, Lenders that are not Affiliates holding greater than sixty-six and two thirds percent (66 2/3%) of the aggregate Revolving Commitments (or, after the termination of the Revolving Commitments, Lenders that are not Affiliates holding greater than sixty-six and two thirds percent (66 2/3%) of the Outstanding Amount), provided, that the Revolving Commitment of, and the portion of the liabilities held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"***Reset Date***": the Closing Date and the first day of each calendar month thereafter.

"***Restrictive Agreement***": an agreement (other than a Loan Document) that conditions or restricts the right of any Borrower or any other Credit Party to incur or repay Indebtedness, to grant Liens on any assets, to declare or make Distributions, to modify, extend or renew any agreement evidencing Indebtedness, or to repay any intercompany Indebtedness.

"***Revolving Commitment***": as to any Revolving Lender, such Revolving Lender's commitment to make Pro Rata Share of the Revolving Loans hereunder, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Revolving Lender's name on Annex A or in the Assignment Agreement pursuant to which such Revolving Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement. The aggregate Revolving Commitments of the Revolving Lenders on the Closing Date is equal to the Interim Commitment Amount; provided that the aggregate Revolving Commitments of the Revolving Lenders shall increase to One Hundred Eighty-Five Million Dollars ($185,000,000) upon the satisfaction of the satisfaction of the funding conditions set forth in each of Sections 3.2 and 3.3.

"***Revolving Facility***": the meaning set forth in Section 2.1(a).

"***Revolving Lender***": each Lender with a Revolving Commitment.

"***Revolving Loan***": the meaning set forth in Section 2.1(a).

"***Revolving Loan Termination Date***": the earliest to occur of (a) the Scheduled Termination Date; (b) the earlier of (i) the date that is 30 days from entry of the Interim Order unless the Final Order has been entered and has become effective prior to the expiration of such period (or such later date as the Administrative Agent may approve in writing in its sole and absolute discretion), (ii) the date the Bankruptcy Court denies entry of the Final Order, or (iii) the date of revocation of the Interim Order or the Final Order, as applicable; (c) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "effective date") of a plan of reorganization filed in the Bankruptcy Cases that is confirmed pursuant to an order entered by the Bankruptcy Court; (d) the consummation of a sale of all or substantially all of the Collateral; (e) the date the Bankruptcy Court orders the conversion of the Bankruptcy Cases to a Chapter 7 liquidation or the dismissal of the Bankruptcy Cases or the appointment of a trustee or examiner with expanded power in the Bankruptcy Cases; and (f) the acceleration of the Loans and the termination of the Revolving Commitment in accordance with this Agreement.

"***Revolving Loans***": each Revolving Loan, collectively.

"***Revolving Note***": any promissory notes, if requested by a Lender pursuant to Section 2.11, made by each Borrower in favor of such Lender evidencing the Revolving Loans of such Lender, substantially in the form of Exhibit C.

"***Sanctions***": any international economic sanctions or trade embargo administered or enforced by the United States Government, including OFAC, the United Nations Security Council, the European Union or other relevant sanctions authority.

"***Scheduled Termination Date***": September **[5]**, 2019.

"***Security Agreement***": that certain Security Agreement, dated as of the Closing Date, executed by each Credit Party in favor of Administrative Agent (for the benefit of itself and the Lenders), and each other security agreement executed by any Borrower or any other Credit Party in favor of Administrative Agent (for the benefit of itself and the Lenders), in each case as the same may be amended, restated or otherwise modified from time to time.

"***Seton Cash Burn Elimination Plan***": a plan for the reduction and eventual elimination of the cash burn from the operation of Seton Medical Center and Seton Medical Center Coastside (which may be by a sale of such facilities to an identified stalking horse bidder, sale pursuant to the Consolidated Sale Motion or by other means, in either case on terms and conditions satisfactory to the Administrative Agent).

"***Seton Medical Center***": the hospital commonly known as Seton Medical Center, located at 1900 Sullivan Avenue, Daly City, California 94015.

"***Seton Medical Center Coastside***": the hospital commonly known as Seton Medical Center Coastside, located at 600 Marine Boulevard, Moss Beach, California 94038.

"***Specified Prepetition Secured Creditors***": (1) U.S. Bank as Note Trustee for 2015 and 2017 Working Capital Notes; (2) U.S. Bank as Master Trustee for 2005 Series Bonds; and (3) Verity MOB Financing, LLC and Verity MOB Financing II, LLC.

"***Saint Louise Hospital***": the hospital commonly known as Saint Louise Regional Hospital, located at 9400 No Name Uno, Gilroy, California 95020.

"Saint Louise/O'Connor Hospital Bid Procedures Motion": a motion for approval of bid procedures for an identified stalking horse bidder in an amount of at least $235,000,000 of cash consideration in connection with the sale (exclusive of accounts receivable and QAF Accounts) of the Saint Louise Hospital and the O'Connor Hospital and related assets pursuant to section 363(b) and (f) of the Bankruptcy Code on terms and conditions acceptable to the Administrative Agent.

"***Subordinated Indebtedness***": any Indebtedness of any Credit Party or any Subsidiary (a) that is subordinated to the Obligations in a manner satisfactory to Administrative Agent, and contains terms, including payment terms, satisfactory to Administrative Agent or (b) subordinated to the Obligations pursuant to the Financing Orders. All Subordinated Indebtedness as of the Closing Date is identified and described under the heading "Subordinated Indebtedness" on Schedule 2 hereto.

"***Subordinated Indebtedness Documents***": the Subordination Agreements and all other documents and instruments relating to the Subordinated Indebtedness and all amendments and modifications thereof permitted hereby. Permitted Intercompany Loans shall constitute Subordinated Indebtedness; provided that Permitted Intercompany Loans shall not be required to be subject to a Subordination Agreement unless requested by Administrative Agent.

"***Subordination Agreements***": All subordination agreements, intercreditor agreements, consents and similar agreements among any Credit Party, Administrative Agent and any holder of Indebtedness, whether entered into on or prior to the date hereof or from time to time hereafter, in each case together with all modifications, amendments and restatements of any of the foregoing.

"***Subsidiary***": of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of a Borrower.

"***Swap Agreement***": a swap agreement (as defined in 11 U.S.C. § 101, as in effect from time to time), if any, between any Borrower or any other Credit Party and Administrative Agent, any Lender or any Lender Affiliate.

"***Swap Obligations***": with respect to any Borrower or any other Credit Party, any obligation to pay or perform under any Swap Agreement.

"***Swingline Advance***": each Revolving Loan converted by Administrative Agent into an advance under the Swingline Loan pursuant to Section 2.1(c).

"***Swingline Lender***": Ally Bank, or if Ally Bank shall resign as Swingline Lender, another Lender selected by Administrative Agent and reasonably acceptable to Borrower Representative.

"***Swingline Loan***": the outstanding balance of all Swingline Advances and any amounts added to the principal balance of the Swingline Loan pursuant to this Agreement.

"***Swingline Note***": any promissory note, if requested by Swingline Lender pursuant to Section 2.11, made by each Borrower in favor of Swingline Lender evidencing the Swingline Loan of Swingline Lender.

"***Taxes***": all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"***Test Period***": (i) with respect to the first three Test Periods, the period beginning on August 31, 2018 and ending on the then most recent Saturday and (ii) thereafter, the consecutive four (4) week period ending on the then most recent Saturday (taken as one accounting period).

"***Third-Party Payor***": (i) any commercial medical insurance company having its principal office in the United States and licensed as an insurer in the state in which the Healthcare Services giving rise to any Account were rendered, (ii) a Blue Cross/Blue Shield Plan, (iii) any Government Account Debtor making payments under a Government Reimbursement Program, and (iv) any HMO, PPO, managed care plan or other institutional Person or entity having its principal office in the United States that reimburses providers for Healthcare Services.

"***TRICARE***": the program administered pursuant to 10 U.S.C. Section 1071 *et seq.*, Sections 1320a-7 and 1320a-7a of Title 42 of the United States Code and the regulations promulgated pursuant to such statutes.

"***UCC***": the Uniform Commercial Code as in effect in the state of New York or of any other state the laws of which are required to be applied in connection with the perfection of security interests in any Collateral.

"***U.S. Person***": any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"***VHS***": Verity Health System of California, Inc., a California nonprofit corporation.

"***Welfare Plan***": an employee welfare benefit plan, as defined in Section 3(1) of ERISA.

"***Write-Down and Conversion Powers***": with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

1.2 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" and the word "shall" will be construed to have the same meaning and effect. Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document and any Loan Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, extended, renewed, supplemented or otherwise modified in writing from time to time (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof," "hereto" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv)

all references in a Loan Document to Articles, clauses, Sections, Exhibits and Schedules shall be construed to refer to Articles, clauses and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such Law and any reference to any Law or regulation shall, unless otherwise specified, refer to such Law or regulation as amended, modified or supplemented from time to time, and (vi) unless otherwise specified, the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. As used hereunder or in the other Loan Documents, the phrase "to Borrowers' knowledge" or "to the best of Borrowers' knowledge" or similar phrases, means each Borrower's and each other Credit Party's knowledge after due and diligent inquiry.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.3 Accounting Terms.

(a) **Generally**. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, except as otherwise specifically prescribed herein.

(b) **Changes in GAAP**. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and Borrowers or Administrative Agent shall so request, Administrative Agent and Borrowers shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of Administrative Agent); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) Borrowers shall provide to Administrative Agent and Lenders financial statements and other documents required hereunder or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.4 Rounding. Any financial ratios required to be maintained by Borrowers pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.5 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to United States Eastern time (daylight or standard, as applicable).

ARTICLE 2 GENERAL REVOLVING LOAN TERMS

2.1 The Revolving Loans and Swingline Loans.

(a) **Revolving Facility**. Subject to the terms and conditions set forth herein and in the Financing Orders, the Lenders hereby establish for the benefit of Borrowers a revolving credit facility (the "***Revolving Facility***") pursuant to which each Lender agrees to make its Pro Rata Share of loans (each such loan, a "***Revolving Loan***") to Borrowers from time to time, on any Business Day during the Availability Period, in an aggregate principal amount at any one time outstanding not to exceed such Lender's Revolving Commitment. The Outstanding Amount shall not exceed at any time the lesser of (i) the Revolving Commitment and (ii) the Borrowing Base (such lesser amount at any time, the "***Availability***"). Subject to the terms and conditions hereof, Borrowers may borrow, repay and reborrow Revolving Loans hereunder until the Revolving Loan Termination Date. The calculation of the Borrowing Base as of any time shall originally be made by Borrowers and certified by an Authorized Officer of Borrower Representative pursuant to the delivery of a Borrowing Base Certificate under Section 8.3 hereof; provided, however, that Administrative Agent shall have the right to review and adjust any such calculation, in its reasonable credit judgment, to the extent that the calculation was not made in accordance with this Agreement.

(b) **Reduction of Eligible Accounts and Establishment of Reserves; Eligible QAF Accounts**. Administrative Agent shall also have the right, in its reasonable credit judgment, and at any time and for any reason, to (i) reduce the dollar amount of Eligible Accounts by the amount of discounts, credits, allowances and returns of any kind then outstanding, issued, granted, owing, accrued or liable to be accrued; (ii) establish and fund reserves against the Borrowing Base and/or charge the same against the Revolving Facility as Revolving Loans at such time as it deems appropriate (including without limitation for any liabilities consisting of Approved Cash Management Obligations) and (iii) with respect to any Eligible QAF Accounts, the Administrative Agent in its reasonable credit judgment may adjust the advance rates, the reserves and eligibility periods.

(c) **Swingline Loans**.

(i) Administrative Agent may convert any request by a Borrower for a Revolving Loan into a request for an advance under the Swingline Loan. The Swingline Loan shall not exceed in the aggregate at any time outstanding the Maximum Swingline Loan Amount. In the event that on any Business Day Swingline Lender desires that all or any portion of the Swingline Loan should be reduced in whole or in part, Swingline Lender shall promptly notify Administrative Agent to that effect and indicate the portion of the Swingline Loan to be reduced. Swingline Lender hereby agrees that it shall notify Administrative Agent to reduce the Swingline Loan to $0 at least once every week. Administrative Agent agrees to transmit to Revolving Lenders the information contained in each notice received by Administrative Agent from Swingline Lender and shall concurrently notify Revolving Lenders of each Revolving Lender's Pro Rata Share of the obligation to make a Revolving Loan to repay the Swingline Loan (or portion thereof).

(ii) Each of the Revolving Lenders hereby unconditionally and irrevocably agrees to fund to Administrative Agent for the benefit of Swingline Lender, in lawful money of the United States and in same day funds, not later than 1:00 p.m. (New York City time) on the Business Day immediately following the Business Day of such Revolving Lender's receipt of such notice from Administrative Agent (provided that if any Revolving Lender shall receive such notice at or prior to 1:00 p.m. (New York City time) on a Business Day, such funding shall be made by such Revolving Lender on such Business Day), such Revolving Lender's Pro Rata Share

of a Revolving Loan (which Revolving Loan shall be deemed to be requested by Borrowers) in the principal amount of such portion of the Swingline Loan which is required to be paid to Swingline Lender under this Section 2.1(c) (regardless of whether the conditions precedent thereto set forth in Article 3 are then satisfied and whether or not Borrower Representative has provided a Loan Notice and whether or not any Default or Event of Default exists or all or any of the Loans have been accelerated, but subject to the other provisions of this Section 2.1(c)). The proceeds of any such Revolving Loan shall be immediately paid over to Administrative Agent for the benefit of Swingline Lender for application to the Swingline Loan.

(iii) In the event that an Event of Default shall occur and either (A) such Event of Default is of the type described in Section 9.1(e) hereof or (B) no further Revolving Loans are being made under this Agreement, so long as any such Event of Default is continuing, then, each of Revolving Lenders (other than Swingline Lender) shall be deemed to have irrevocably, unconditionally and immediately purchased a participation in the Swingline Loan from Swingline Lender in an amount equal to such Revolving Lender's Pro Rata Share of the Revolving Commitment multiplied by the total amount of the Swingline Loan outstanding. Each Revolving Lender shall effect such purchase by making available the amount of such Revolving Lender's participation in the Swingline Loan in U.S. Dollars in immediately available funds to Administrative Agent's Account for the benefit of Swingline Lender. In the event any Revolving Lender fails to make available to Swingline Lender when due the amount of such Revolving Lender's participation in the Swingline Loan, Swingline Lender shall be entitled to recover such amount on demand from such Revolving Lender together with interest at the Federal Funds Effective Rate. Each such purchase by a Revolving Lender shall be made without recourse to Swingline Lender, without representation or warranty of any kind, and shall be effected and evidenced pursuant to documents reasonably acceptable to Swingline Lender. The obligations of Revolving Lenders under this Section 2.1(c) shall be absolute, irrevocable and unconditional, shall be made under all circumstances and shall not be affected, reduced or impaired for any reason whatsoever.

(iv) The unpaid principal amount of all Swingline Loans shall bear interest, subject to the terms hereof, at a per annum rate equal to LIBOR Rate plus the Applicable LIBOR Margin.

2.2 [Reserved].

2.3 Funding of the Revolving Loans and Swingline Loans.

(a) Each Revolving Loan and Swingline Loan shall be made upon Borrower Representative's irrevocable notice to Administrative Agent, which may be given by telephone by an Authorized Officer of Borrower Representative (so long as such telephonic notice is confirmed by the delivery of a written Loan Notice in accordance with the terms and conditions set forth in the next sentence). Each notice by Borrower Representative pursuant to this Section 2.3 must be confirmed promptly by delivery to Administrative Agent of a written Loan Notice, appropriately completed and signed by an Authorized Officer of Borrower Representative. Such Loan Notice must be received by Administrative Agent (1) not later than 1:00 p.m. (New York City time) one (1) Business Day prior to the requested date of any Swingline Loan or (2) not later than 1:00 p.m. (New York City time) on the Business Day that is two (2) Business Days prior to the requested date of any Revolving Loan. Loan Notices received after 1:00 p.m. (New York City time) shall be deemed received on the next Business Day. Each Revolving Loan shall be in a principal amount of at least $250,000.00 and integral multiples of $50,000 in excess of such amount.

(b) Upon receipt of a Loan Notice, Administrative Agent will promptly notify each Lender of such Loan Notice and of the amount of such Lender's Pro Rata Share of the requested Revolving Loan. Each Lender shall promptly remit to Administrative Agent its Pro Rata Share of all funds disbursed on its behalf by Administrative Agent either before or after such disbursement as requested by Administrative Agent. If Administrative Agent requires funds from a Lender prior to disbursement to Borrowers, which Administrative Agent may so require in its sole and absolute discretion, Administrative Agent shall advise each such Lender by written notice in accordance with this Agreement of the amount of such Lender's Pro Rata Share of such requested disbursement no later than 5:00 p.m. (New York City time) on the Business Day prior to the funding date thereof, and each such Lender shall pay Administrative Agent its Pro Rata Share of such requested Revolving Loan, in same day funds, by wire transfer to Administrative Agent's account not later than 2:00 p.m. (New York City time) on the intended date of disbursement to Borrowers. If Administrative Agent shall have already disbursed funds to Borrowers, each Lender shall pay its Pro Rata Share thereof to Administrative Agent within one (1) Business Day of Administrative Agent's request therefor. If Administrative Agent shall have disbursed funds to Borrowers and any Lender fails to pay its Pro Rata Share thereof in accordance with this Agreement within one (1) Business Day of Administrative Agent's request therefor, Administrative Agent shall promptly notify Borrower Representative and Borrowers shall immediately repay such amount to Administrative Agent without premium or penalty. Nothing in any Loan Document shall be deemed to require Administrative Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its commitments under the Loan Documents (including those set forth in Section 12.12) or to prejudice any rights that Administrative Agent may have against any Lender as a result of any default by such Lender under the Loan Documents.

2.4 Deposit Accounts and Control Agreements.

(a) The Borrowers have established and shall maintain one or more Lockbox Accounts with Bank of America, N.A. (such depository institution, a "***Deposit Account Bank***"), subject to the provisions of this Agreement. Borrowers shall execute with the Deposit Account Bank a deposit account control agreement for each Lockbox Account in form and substance acceptable to Administrative Agent. Each Borrower shall ensure that all Collections of Accounts (including QAF Accounts) are paid directly into and deposited in the Lockbox Account of the applicable Borrower, and that all funds deposited into the Lockbox Account are immediately transferred into a depository account owned by a Borrower and subject to a deposit account control agreement in form and substance acceptable to Administrative Agent (the "***Concentration Account***") and that all funds deposited into the Concentration Account shall immediately be transferred to the Administrative Agent's Account for application to the Obligations in accordance with the terms and conditions of this Agreement. In addition, each Borrower shall ensure that the net proceeds from any Asset Disposition and any proceeds of insurance or condemnation awards paid are paid directly into the Escrow Deposit Account.

(b) The Borrowers may establish subaccounts of the Escrow Deposit Account as appropriate to hold funds on account of separate prepetition collateral pools, as may be direct by the Bankruptcy Court; provided that such subaccounts shall be subject to the requirements of Section 5.18.

(c) If any Borrower receives any Collections that should have been sent to a Lockbox Account, such Borrower shall promptly upon receipt (and in any event within one (1) Business Day of receipt) forward such Collections directly to the applicable Lockbox Account or the Concentration Account, as applicable, in the form received, and promptly notify Administrative Agent of such event. Until so forwarded, such Collections shall be held in trust for the benefit of Administrative Agent and Lenders.

(d) No Credit Party shall withdraw any amounts from any Lockbox Account, nor shall any Credit Party change the procedures or sweep instructions under any agreement governing a Lockbox Account. Each Credit Party shall cooperate with Administrative Agent in the identification and reconciliation on a daily basis of all amounts received in or required to be deposited into a Lockbox Account.

(e) Notwithstanding anything in any account instruction agreement or deposit account agreement to the contrary, each Credit Party agrees that it shall be liable for any fees and charges in effect from time to time and charged by the Deposit Account Bank in connection with the deposit accounts, and that neither Administrative Agent nor any Lender shall have any liability therefor. Each Credit Party agrees that all payments made to the Administrative Agent's Account or otherwise received by Administrative Agent, whether in respect of the Accounts or as proceeds of other Collateral or otherwise, may be applied by Administrative Agent on account of the Obligations. Each Credit Party further acknowledges and agrees that, to the extent such fees and charges are not paid by such Credit Party directly but are satisfied using Collections in the Deposit Accounts, such fees and charges shall be deemed to be Revolving Loans made by Lenders hereunder and, to the extent that the payment of such fees or charges by such Credit Party as provided herein results in any overadvance under Section 2.5 of this Agreement, such Credit Party agrees to immediately (upon notice to Borrower Representative) repay to Administrative Agent (for the benefit of itself and the Lenders) the amount of such overadvance. Each Credit Party agrees to indemnify and hold Administrative Agent harmless from any and all liabilities, claims, losses and demands whatsoever, including the fees and disbursements of legal counsel for Administrative Agent, including the charges of internal legal counsel, arising from or relating to actions of Administrative Agent or the Deposit Account Bank pursuant to this Section 2.4 or any deposit account agreement.

(f) Each Credit Party agrees that all payments made to the Administrative Agent's Account or otherwise received by Administrative Agent, whether in respect of the Accounts or as proceeds of other Collateral or otherwise, will be applied on account of the Obligations in accordance with the terms of this Agreement, but, for purposes of calculating interest and fees hereunder, shall be subject to a two (2) Business Day clearance period.

(g) Each Credit Party acknowledges and agrees that compliance with the provisions of this Section 2.4 is a material term of this Agreement and that, in addition to and notwithstanding any other rights Administrative Agent and the Lenders may have hereunder, under any other Loan Document, under Applicable Law or at equity, upon each and every failure by any Credit Party to comply with any of such provisions Administrative Agent shall be entitled to assess a non-compliance fee which shall operate to increase the rate of interest otherwise in effect hereunder with respect to the Loans by two percent (2.0%) per annum during any period of non-compliance, whether or not a Default or an Event of Default occurs or is declared, provided that nothing shall prevent Administrative Agent from considering any failure to comply with the provisions of this Section 2.4 to be a Default or an Event of Default.

(h) Each Borrower and each other Credit Party shall maintain at all times a valid and enforceable deposit account control agreement with respect to each deposit account of any such Borrower and any such other Credit Party (other than any deposit account dedicated exclusively to payroll purposes or donor restricted funds), in form and substance satisfactory to Administrative Agent in its reasonable discretion. Borrowers shall not maintain a greater balance in their payroll accounts than is necessary to support Borrowers' current payroll and payroll for one additional payroll cycle (bi-monthly or weekly as applicable). No Borrower shall (i) permit any donor restricted funds to be deposited or held in a Lockbox Account, the Concentration Account or any operating account that holds funds other than donor restricted funds or (ii) otherwise allow such funds to be commingled with any other funds of the Borrowers.

2.5 Borrowing Base Exceeded. If for any reason the Outstanding Amount at any time exceeds Availability, Borrowers shall immediately prepay outstanding Loans in an aggregate amount equal to such excess.

2.6 Repayment of the Loans. Notwithstanding the provisions of Section 362 of the Bankruptcy Code, and without further application to or order of the Bankruptcy Court, all of the Obligations shall be immediately due and payable upon the Revolving Loan Termination Date. Borrowers hereby unconditionally promise to pay to the Administrative Agent, on behalf of the Lenders, on the Revolving Loan Termination Date, the aggregate outstanding principal amount of the Loans as of such date together with interest (with interest being determined in accordance with the provisions of Section 2.7(a)) and all other Obligations outstanding and unpaid hereunder.

2.7 Interest.

(a) The unpaid principal amount of all Loans under the Revolving Facility shall bear interest, subject to the terms hereof, at a per annum rate equal to the LIBOR Rate plus the Applicable LIBOR Margin.

(b) Interest shall be payable monthly, in arrears, on each Payment Date, on the Revolving Loan Termination Date and as otherwise provided in this Agreement.

2.8 Additional Interest Provisions.

(a) All computations of interest for the Loans shall be made on the basis of a year of 360 days and calculated for actual days elapsed.

(b) Notwithstanding the provisions of Section 362 of the Bankruptcy Code, after the occurrence and during the continuance of an Event of Default hereunder, Administrative Agent may, in its sole discretion, or upon the request of the Required Lenders shall, increase the per annum effective rate of interest applicable to the Loans to the Default Rate. All such increases may be applied retroactively to the date of the occurrence of the Event of Default. Each Borrower agrees that the Default Rate payable to Lenders is a reasonable estimate of Lenders' damages and is not a penalty.

(c) All contractual rates of interest chargeable on outstanding principal under the Revolving Loans shall continue to accrue and be paid even after Default, an Event of Default, maturity, acceleration, judgment, Insolvency Proceedings or the happening of any other event or occurrence similar or dissimilar to the foregoing.

2.9 Fees and Charges.

(a) Contemporaneously with Borrowers' execution of this Agreement, Borrowers shall pay Administrative Agent, for the benefit of all Lenders committed to make Revolving Loans on the Closing Date, in accordance with their respective Pro Rata Share, a fee in an amount equal to (i) the Revolving Commitment, *multiplied by* (ii) one and one quarter percent (1.25%). All fees payable pursuant to this clause (f) shall be non-refundable as of the Closing Date.

(b) [Reserved].

(c) On each Payment Date, on the Revolving Loan Termination Date and as otherwise provided in this Agreement, Borrowers shall pay to Administrative Agent, for the benefit of Lenders in accordance with their Pro Rata Shares, an unused fee in an amount equal to 0.75% per annum

of the difference derived by subtracting (i) the average daily Outstanding Amount during the preceding month, from (ii) the Revolving Commitment.

(d) All fees hereunder shall be computed on the basis of a year of 360 days and calculated for the actual number of days elapsed in each calculation period. All fees hereunder shall be non-refundable and deemed fully earned when due and payable.

2.10 Use of Proceeds.

(a) The extensions of credit under and proceeds of the Revolving Loans pursuant to the Revolving Facility shall be made available subject to the terms and conditions herein (including but not limited to the absence of an Event of Default) and used in accordance with the Budget exclusively for (i) payment of all fees and expenses due to Administrative Agent and Lenders pursuant to this Agreement, (ii) financing ongoing debtor in possession working capital needs, maintenance and preservation of Borrowers' assets, general corporate purposes relating to postpetition operations and related costs, fees and expenses of the Bankruptcy Cases, (iii) payment of the administration expenses of the Bankruptcy Cases as approved by the Bankruptcy Court, (iv) to make adequate protection payments (absent the existence of a Default or Event of Default) to the Specified Prepetition Secured Creditors and (v) to pay Daly City, California special tax assessments, for the benefit of the PACE Bond Trustee.

(b) Notwithstanding anything to the contrary set forth herein or in any other Loan Document, no portion of the Revolving Loans, the Collateral, the Carve-Out funds or cash collateral of Administrative Agent or Lenders may be used to fund any activities: (i) preventing, hindering, or delaying any of Administrative Agent's or the Lenders' enforcement or realization upon any of the Collateral; (ii) using or seeking to use Administrative Agent's or any Lenders' cash collateral or selling or otherwise disposing of any of the Collateral (other than Permitted Asset Dispositions) without the consent of the Administrative Agent and the Required Lenders; (iii) using or seeking to use any insurance proceeds constituting Collateral without the consent of the Administrative Agent and the Required Lenders; (iv) except as permitted under Section 6.3, incurring Indebtedness without the prior written consent of Administrative Agent and the Required Lenders; (v) objecting or challenging in any way any claims, Liens, Collateral (including cash collateral) held by or on behalf of any of Administrative Agent or the Lenders; (vi) asserting any claims or causes of action including, without limitation, any action under Chapter 5 of the Bankruptcy Code, against any of Administrative Agent, the Lenders, or any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors, and employees; (vii) prosecuting an objection to, or contesting in any manner, or raising defenses to, the validity, extent, amount, perfection, priority, or enforceability of any of the Obligations, the Liens of Administrative Agent securing the Obligations or any other rights or interests of any of Administrative Agent or the Lenders; or (viii) taking any action which (A) has or could have the effect of adversely modifying or compromising the rights and remedies of Administrative Agent or the Lenders, or (B) is contrary, in a manner adverse to Administrative Agent or the Lenders, to any term or condition set forth in any of the Financing Orders or the other Loan Documents.

2.11 Evidence of Indebtedness. The Loans made by any Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be prima facie evidence of the existence and amounts of the Loans and shall be conclusive absent manifest error with respect to the amount of the Loans and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrowers hereunder to pay any amount owing with respect to the Obligations. The Borrowers shall, upon the request of any Lender, execute and deliver to the Administrative Agent a Revolving Note or Swingline Note (as applicable) for such Lender, which Note shall evidence such Lender's applicable

Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

2.12 Payments Generally. All payments to be made by Borrowers shall be made without condition or deduction for any counterclaim, defense, recoupment or set-off. Except as otherwise expressly provided herein, all payments by Borrowers hereunder shall be made in Dollars immediately available to Administrative Agent, on behalf of Lenders, by 11:00 a.m. (New York City time), on the date such payment is due, to Administrative Agent by deposit to the Administrative Agent's Account or to such other deposit account as Administrative Agent may designate by written notice to Borrower Representative. All payments received by Administrative Agent after 11:00 a.m. (New York City time) shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by Borrowers shall become due on a day other than a Business Day, payment shall be made on the next following Business Day. Each Borrower hereby grants to Administrative Agent the right, in Administrative Agent's discretion, without notice to any Borrower, to make Loans to make payments on the Obligations, including any and all interest, fees and Expenses, as and when due hereunder. Each Borrower acknowledges that such Borrower's failure to maintain sufficient funds in any deposit account for payment of any of the Obligations, or Administrative Agent's failure to make a Loan or withdrawal from any deposit account shall not relieve Borrowers of any payment obligation hereunder or any other Loan Document.

2.13 Protective Advances. (a) Borrowers and Lenders authorize Administrative Agent, in its sole discretion, at any time that a Default or Event of Default exists or any conditions in Article 3 are not satisfied, and without regard to the Revolving Commitment or the Borrowing Base, to make Revolving Loans ("***Protective Advances***") (a) in such amounts as Administrative Agent deems necessary or desirable to preserve or protect any Collateral, or to enhance the collectability or repayment of Obligations, or (b) to pay any other amounts chargeable to Borrowers under any Loan Documents, including fees, Expenses, taxes, assessments, insurance, repairs, maintenance, storage and other charges and expenditures upon, against or otherwise relating to the Collateral; provided, however, that the aggregate amount of Protective Advances outstanding at any time shall not exceed ten percent (10%) of the Revolving Commitment without the consent of the Required Lenders. All Protective Advances constitute Obligations, are secured by the Collateral, and shall be treated for all purposes as Revolving Loans.

(b) Upon Administrative Agent's making of any Protective Advances under this Section 2.13, each of the Lenders shall be deemed to have irrevocably, unconditionally and immediately purchased from Administrative Agent a participation in such Protective Advances in an amount equal to such Lender's Pro Rata Share of the Revolving Commitment multiplied by the total amount of such Protective Advances outstanding under this Section 2.13. Each Lender shall effect such purchase by making available the amount of such Lender's participation in such Protective Advances in U.S. Dollars in immediately available funds to Administrative Agent's Account. In the event any Lender fails to make available to Administrative Agent when due the amount of such Lender's participation in such Protective Advances, Administrative Agent shall be entitled to recover such amount on demand from such Lender together with interest at the Federal Funds Effective Rate. Each such purchase by a Lender shall be made without recourse to Administrative Agent, without representation or warranty of any kind, and shall be effected and evidenced pursuant to documents reasonably acceptable to Administrative Agent. The obligations of the Lenders under this Section 2.13(b) shall be absolute, irrevocable and unconditional, shall be made under all circumstances and shall not be affected, reduced or impaired for any reason whatsoever.

2.14 Taxes.

(a) Defined Terms. For purposes of this Section 2.14, the term "Applicable Law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Credit Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of the Administrative Agent) requires the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Credit Party, then the Administrative Agent or such Credit Party shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Credit Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Credit Parties. The Credit Parties shall timely pay to the relevant Governmental Authority in accordance with Applicable Law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Borrower. The Credit Parties shall jointly and severally indemnify each Recipient, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Credit Parties by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Credit Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Credit Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Article 10 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this Section 2.14(e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by any Credit Party to a Governmental Authority pursuant to this Section 2.14, such Credit Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrowers and the Administrative Agent, at the time or times reasonably requested by the Borrowers or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrowers or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrowers or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrowers or the Administrative Agent as will enable the Borrowers or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in clauses (ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, if any Borrower is a U.S. Person,

A. any Lender that is a U.S. Person shall deliver to the Borrowers and the Administrative Agent on or prior to the date on which such Lender becomes a Lender hereunder (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

B. any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrowers and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender hereunder (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), whichever of the following is applicable:

1. in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

2. executed copies of IRS Form W-8ECI;

3. in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in form reasonably acceptable to Administrative Agent to the effect that such Foreign Lender is not a "bank" within the meaning of Section

881(c)(3)(A) of the Code, a "10 percent shareholder" of any Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "***U.S. Tax Compliance Certificate***") and (y) executed copies of IRS Form W-8BEN; or

4. to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form reasonably acceptable to Administrative Agent, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form reasonably acceptable to Administrative Agent on behalf of each such direct and indirect partner;

C. any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrowers and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender hereunder (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), executed copies of any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by Applicable Law to permit the Borrowers or the Administrative Agent to determine the withholding or deduction required to be made; and

D. if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrowers and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrowers or the Administrative Agent such documentation prescribed by Applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrowers or the Administrative Agent as may be necessary for the Borrowers and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrowers and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.14 (including by the payment of additional amounts pursuant to this Section 2.14), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than

any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 2.14(h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) if such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.14(h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 2.14(h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This Section 2.14(h) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.14 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Revolving Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

2.15 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to reduce the amount of any sum received or receivable by such Lender or other Recipient hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or other Recipient, the Borrowers will pay to such Lender or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Revolving Commitments of such Lender or the Loans made by, or participations in Swingline Loans held by, such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from

time to time the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Sections 2.15(a) or (b) and delivered to the Borrowers, shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrowers shall not be required to compensate a Lender pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrowers of the Change in Law giving rise to such increased costs or reductions, and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) In the event that any change in market conditions or any Change in Law shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to determine or charge interest rates at the LIBOR Rate, such Lender shall give notice of such changed circumstances to Administrative Agent and Borrowers and Administrative Agent promptly shall transmit the notice to each other Lender and while such circumstances continue, the Revolving Loans held by such Lender shall be converted from accruing interest a per annum rate equal to the LIBOR Rate plus the LIBOR Rate Margin to accruing interest at a per annum rate equal to the Base Rate plus such applicable margin as will result in the same effective rate of interest applicable immediately prior to such conversion.

(f) After the occurrence and during the continuance of an Event of Default hereunder, each Lender may, in its sole discretion, provide Administrative Agent and Borrowers notice of its election to charge interest rates at the Base Rate, and Administrative Agent promptly shall transmit the notice to each other Lender and during the continuance of such Event of Default, the Revolving Loans held by such Lender shall be converted from accruing interest a per annum rate equal to the LIBOR Rate plus the LIBOR Rate Margin to accruing interest at a per annum rate equal to the Base Rate plus such applicable margin as will result in the same effective rate of interest applicable immediately prior to such conversion.

2.16 Effective Date and Termination. This Agreement shall become effective on the Closing Date and shall continue in full force and effect until the Revolving Loan Termination Date unless sooner terminated as herein provided. Borrowers may terminate this Agreement prior to the Revolving Loan Termination Date with at least thirty (30) Business Days' prior written notice thereof to Administrative Agent, upon (a) the payment in full of all outstanding Loans, together with accrued and unpaid interest thereon, and (b) the payment in full of all fees, Expenses and other Obligations together with accrued and unpaid interest thereon.

2.17 Effect of Termination. The termination of this Agreement shall not affect any Credit Party's, the Administrative Agent's, any Lender's or any Lender Affiliate's rights, or any of the Obligations having their inception prior to the effective date of such termination, and the provisions hereof shall continue to be fully operative until all transactions entered into, rights or interests created or Obligations have been fully disposed of, concluded or liquidated. The security interests, Liens and rights granted to the Administrative Agent and Lenders hereunder and under the other Loan Documents shall

continue in full force and effect, notwithstanding the termination of this Agreement or the fact that the Revolving Facility may from time to time be temporarily in a zero position, until all of the Obligations of each Credit Party have been paid in full after the termination of this Agreement. Accordingly, each Credit Party waives any rights which it may have under the UCC to demand the filing of termination statements with respect to the Collateral, and the Administrative Agent shall not be required to send such termination statements to each Credit Party, or to file them with any filing office, unless and until this Agreement shall have been terminated in accordance with its terms and all Obligations shall have been paid in full in immediately available funds.

ARTICLE 3 CONDITIONS PRECEDENT TO LOANS

3.1 Conditions of Initial Revolving Loan. The obligation of Lenders to make the initial Revolving Loan hereunder on the Closing Date (the "***Closing***") is subject to satisfaction of each of the following conditions precedent:

(a) Administrative Agent shall have received all of the following deliverables, each in form and substance satisfactory to Administrative Agent:

(i) the Interim Order shall (A) have been entered without opposition by any Specified Prepetition Secured Creditor, the PACE Bond Trustee, NantWorks, LLC or any other Person identified by Administrative Agent, (B) shall have been entered not later than three (3) days following the Petition Date and (C) be in effect and shall not have been reversed, modified, amended or stayed, and no motion seeking a reversal, modification, amendment or stay shall have been filed by any Person;

(ii) Administrative Agent shall have received the Initial Cash Flow Forecast, which shall be dated no more than seven (7) days prior to the Interim Hearing, and the Initial Budget, in each case in form and substance satisfactory to the Administrative Agent;

(iii) executed counterparts of this Agreement and the other Loan Documents required by Administrative Agent to be executed on the Closing Date;

(iv) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Authorized Officers of each Credit Party as Administrative Agent may require;

(v) such Organization Documents and certifications as Administrative Agent may require to evidence that each Credit Party is duly organized or formed, and that each Credit Party is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification;

(vi) a certificate signed by an Authorized Officer of each Credit Party either (A) certifying that all consents, licenses and approvals required in connection with the execution, delivery and performance by the Credit Parties and the validity against the Credit Parties of the Loan Documents are in full force and effect and have been delivered to Administrative Agent, or (B) stating that no such consents, licenses or approvals are so required;

(vii) a certificate signed by an Authorized Officer of Borrowers certifying: (A) that the conditions specified in Section 3.1 have been satisfied, (B) that there has been no event or circumstance since the public disclosures on August 14, 2018 for the period ending June

30, 2018 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, and (C) that no event or circumstance has occurred or exists that constitutes a Default or an Event of Default;

(viii) correct and complete certified copies of (i) each Lease Agreement, (ii) each Material Contract, (iii) the hospital licenses and permits of each Borrower, and (iv) all "first day orders" entered at the time of commencement of the Bankruptcy Cases, in each case together with all applicable amendments thereto, all of which shall be acceptable to Administrative Agent in its sole and absolute discretion; and

(ix) evidence that all Required Insurance has been obtained and is in effect;

(b) Administrative Agent, for the benefit of itself and the Lenders, as applicable, shall have received payment in full of all fees required to be paid under Section 2.9 on or before the Closing Date;

(c) Administrative Agent shall have valid and perfected super-priority Liens on the Collateral pursuant to the Financing Orders, and no further action by any entity shall be required to perfect such Liens; *provided* that Administrative Agent may, in its sole and absolute discretion, file UCC financing statements, require delivery of certificated equity interests required to be pledged, and require execution and delivery of intellectual property security agreements, in each case in suitable form for filing;

(d) Administrative Agent shall have received a completed Borrowing Base Certificate and a pro forma Compliance Certificate;

(e) Administrative Agent shall have received such financial statements, reports, certifications, and other operational information required to be delivered hereunder or otherwise required by Administrative Agent, which shall include financial statements of the type required to be delivered under (i) Section 8.4(d) for the three (3) Fiscal Years preceding the Closing Date and (ii) Section 8.4(b) for the calendar month and year-to-date period most recently ended at least thirty (30) days prior to the Closing Date;

(f) each Borrower shall have established the Lockbox Accounts with the Deposit Account Bank and the Concentration Account at JPMorgan Chase Bank, N.A. and shall have entered into all deposit account control agreements required by Section 5.14, and Administrative Agent shall otherwise be satisfied with the cash dominion arrangements effective with respect to the Collateral;

(g) the payment of all reasonable and documented out-of-pocket fees, costs and expenses associated with the transactions contemplated by this Agreement, the Interim Order and the other Loan Documents incurred by the Administrative Agent or the Lenders;

(h) each Borrower and each other Credit Party shall have executed and filed IRS Form 8821 with the appropriate office of the Internal Revenue Service;

(i) at least three (3) days prior to the Closing Date, each Credit Party shall have provided all documentation and other information that the Administrative Agent or such Lender requests at least five (5) Business Days prior to the Closing Date in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act;

(j) Administrative Agent shall have received and be satisfied with background checks on certain owners and senior management of the Borrowers;

(k) Administrative Agent shall be satisfied with the results of its review of a quality of earnings report, a field examination, site visits, and due diligence with respect to the Credit Parties, including healthcare and regulatory due diligence;

(l) the Closing Date shall have occurred on or prior to two (2) business days after the entry of the Interim Order; and

(m) Administrative Agent shall have received such other assurances, certificates, documents, consents or opinions as Administrative Agent or any Lender reasonably may require.

3.2 Conditions to all Loans. The obligation of the Lenders to make any Revolving Loan is subject to satisfaction of each of the following conditions precedent:

(a) The representations and warranties of each Borrower and each other Credit Party contained in Article 4 or any other Loan Document (excluding the representation that there exists no Default (but only to the extent such Default has not become an Event of Default)), shall be true and correct in all material respects (provided that any representation or warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects) on and as of the date of such Revolving Loan, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (provided that any representation or warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects) as of such earlier date, and except that for purposes of this Section 3.2, the representations and warranties contained in Section 4.9 shall be deemed to refer to the most recent Borrowing Base Certificate and financial statements furnished pursuant to Sections 8.3 and 8.4;

(b) No Event of Default shall exist, or would result from such proposed Loan or from the application of the proceeds thereof;

(c) Administrative Agent shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as Administrative Agent reasonably may require; and

(d) Each Loan Notice submitted by Borrowers shall be deemed to be a representation and warranty that the conditions specified in this Section 3.2 have been satisfied on and as of the date of the applicable Loan.

3.3 Final Funding Conditions. The obligation of Lenders to make Revolving Loans in excess of the Interim Commitment Amount is subject to satisfaction of each of the following conditions precedent:

(a) the conditions set forth in Sections 3.1 and 3.2 shall be met on and as of such date;

(b) the Final Order shall (A) have been entered without opposition by any Specified Prepetition Secured Creditor, the PACE Bond Trustee, NantWorks, LLC or any other Person identified by Administrative Agent, (B) shall have been entered not later than thirty (30) days following the entry of the

Interim Order and (C) be in effect and shall not have been reversed, modified, amended or stayed, and no motion seeking a reversal, modification, amendment or stay shall have been filed by any Person;

(c) the final report with respect to the full scope of the field exam shall be completed in form and substance satisfactory to Administrative Agent; and

(d) Administrative Agent shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as Administrative Agent reasonably may require.

3.4 Limited Waiver of Conditions Precedent. If any Lender funds any Loan or grants any other accommodation, or if Swingline Lender funds any Swingline Loan, when any conditions precedent are not satisfied (regardless of whether the lack of satisfaction was known or unknown at the time), it shall not operate as a waiver of (a) the right of such Lender to insist upon satisfaction of all conditions precedent with respect to any subsequent funding, issuance, creation or grant; or (b) any Default or Event of Default due to such failure of conditions or otherwise.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

Each Borrower and each other Credit Party represents and warrants to Administrative Agent and Lenders that, as of the Closing Date and as of the date of the making of each Loan or other extension of credit hereunder:

4.1 Organization. Each Borrower and each other Credit Party has been duly organized and is validly existing and in good standing under the laws of the state of its formation, with requisite power and authority, and all rights, licenses, permits and authorizations, governmental or otherwise, necessary to own its properties and to transact its business. Each Borrower and each other Credit Party is duly qualified to do business and is in good standing in each jurisdiction where it is required to be so qualified in connection with its properties, business and operations.

4.2 Authorization; Enforceability. Each Borrower and each other Credit Party has taken all necessary action to authorize the execution, delivery and performance of the Loan Documents to which it is a party. The Loan Documents have been duly executed and delivered by each Borrower and each other Credit Party and constitute legal, valid and binding obligations of each Borrower and each other Credit Party enforceable against such Borrower and such other Credit Party in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and general principles of equity. The Loan Documents are not subject to, and neither Borrower nor any other Credit Party has asserted, any right of rescission, set-off, counterclaim or defense, including the defense of usury. No exercise of any of the terms or conditions of the Loan Documents, or any right thereunder, will render any Loan Document unenforceable.

4.3 No Conflicts. The execution, delivery and performance of the Loan Documents by each Borrower and each other Credit Party and the transactions contemplated thereby will not (a) conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than pursuant to the Loan Documents) upon any of the properties and assets of any Borrower or any other Credit Party pursuant to the terms of, any agreement or instrument to which such Borrower or such other Credit Party is a party or by which its property is subject or (b) result in any violation of any Applicable Laws relating to any Borrower, any Credit Party or the property or assets of the foregoing. Other than the entry of the Financing Orders, any consent, approval, authorization, order, registration or qualification of or with any Governmental Authority required for the

execution, delivery and performance by each Borrower and each other Credit Party of the Loan Documents has been obtained and is in full force and effect.

4.4 Litigation. As of the Closing Date, there are no actions, suits or other proceedings at law or in equity by or before any Governmental Authority pending or threatened against or affecting any Borrower, any other Credit Party or any Healthcare Facility or otherwise relating to the operations of any Healthcare Facility, in which the amount of claimed damages, fines or other liabilities is in excess of $500,000, except as set forth on Schedule 4.4 hereto. There are no facts, circumstances or conditions that would reasonably be expected to form the basis for any material investigation, suit, claim, audit, action (legal or regulatory) or proceeding (legal or regulatory) by a Governmental Authority against or affecting any Credit Party relating to any Healthcare Law. There are no actions, suits or other proceedings at law or in equity by or before any Governmental Authority now pending or threatened against or affecting any Borrower, any other Credit Party or any Healthcare Facility (other than the Bankruptcy Cases), which could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

4.5 Restrictive Agreement. No Borrower or Credit Party is a party to any Restrictive Agreement (other than a Restrictive Agreement entered into in connection with a purchase or lease of fixed or capital assets, including real property, that prohibits Liens on such fixed or capital assets).

4.6 Title. Each Borrower and each other Credit Party owns the property granted by it as Collateral under the Collateral Documents, free and clear of any and all Liens (other than Permitted Liens). Upon the entry of the Financing Orders, the Liens granted pursuant to the Collateral Documents will constitute valid and enforceable First Priority Liens on the Collateral in favor of Administrative Agent (for the benefit of itself and the Lenders).

4.7 [Reserved].

4.8 [Reserved].

4.9 Full and Accurate Disclosure. No statement of fact made by any Borrower or any other Credit Party in any Loan Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein not misleading. There is no material fact presently known to any Borrower or any other Credit Party that has not been disclosed to Administrative Agent and Lenders which adversely affects, or, as far as any Borrower or any other Credit Party can foresee, might adversely affect, the Healthcare Facilities or the business, operations or condition (financial or otherwise) of any Borrower or any other Credit Party. All financial data, including the statements of cash flow and income and operating expense, that have been delivered to Administrative Agent and Lenders in respect of each Borrower, each other Credit Party and the Healthcare Facilities (i) are true, complete and correct in all material respects, (ii) accurately represent the financial condition of each Borrower, each other Credit Party and the Healthcare Facilities as of the date of such reports, and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with GAAP consistently applied throughout the periods covered, except as disclosed therein. No Credit Party has any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments, unrealized or anticipated losses from any unfavorable commitments or any liabilities or obligations not expressly permitted by this Agreement. Since the financial statements delivered to Administrative Agent and the Lenders dated as of May 31, 2018, except for the filing of the Bankruptcy Cases and the Asset Sales, there has been no material adverse change in the financial condition, operations or business of any Borrower, any other Credit Party or the Healthcare Facilities from that set forth in such financial statements which has not been disclosed to the Administrative Agent in writing.

4.10 Tax Filings. To the extent required, each Borrower and each other Credit Party has filed or has filed on its behalf (or has obtained effective extensions for filing) all federal, state and local tax returns required to be filed and have paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments payable by each Borrower and each other Credit Party. The tax returns of each Borrower and each other Credit Party (if any) properly reflect the income and taxes of such Borrower and such other Credit Party for the periods covered thereby, subject only to reasonable adjustments required by the Internal Revenue Service or other applicable tax authority upon audit.

4.11 No Plan Assets. As of the Closing Date and at all times thereafter (i) no Credit Party is and will not be an "employee benefit plan," as defined in Section 3(3) of ERISA, (ii) none of the assets of any Credit Party constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101, (iii) no Credit Party is nor will be a "governmental plan" within the meaning of Section 3(32) of ERISA, and (iv) transactions by or with Credit Parties are not and will not be subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans.

4.12 Compliance. Each Borrower and each other Credit Party is in compliance with the requirements of all Applicable Laws and all Governmental Authorizations applicable to it or to its properties, except in such instances in which (a) such requirement of Applicable Law or order, writ, injunction or decree is being reasonably contested in good faith by appropriate proceedings diligently conducted, or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

4.13 Federal Reserve Regulations; Investment Company Act. No part of the proceeds of the Loans will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulation U or any other regulation of such Board of Governors, or for any purpose prohibited by Laws or any Loan Document. No Credit Party is (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (ii) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 2005, as amended; or (iii) subject to any other Laws which purport to restrict or regulate its ability to borrow money.

4.14 Ownership of Borrowers and other Credit Parties. A list of the holders of the Equity Interests of each Borrower and each other Credit Party is set forth on Schedule 4.14 hereto, and no other Person has any rights and/or claim to any issued or unissued Equity Interest of any Borrower or any other Credit Party, except as set forth on Schedule 4.14.

4.15 Material Contracts. A list of all Material Contracts as of the Closing Date is set forth on Schedule 4.15. Borrowers have delivered to Administrative Agent true and correct copies of all Material Contracts. Each Material Contract is in full force and effect. Except as a result of the filing of the Bankruptcy Cases, there is no default, breach or violation existing thereunder, and no event has occurred (other than payments due but not yet delinquent) that, with the passage of time or the giving of notice, or both, would constitute a default, breach or violation thereunder, by either party thereto. None of the Material Contracts have been amended or modified except pursuant to a written agreement which has been delivered to Administrative Agent.

4.16 Compliance with Environmental Laws. Each Credit Party's past or present operations, real estate or other properties and assets, including the Healthcare Facilities, are not subject to any investigation of any Governmental Authority to determine whether any remedial action is needed to

address any environmental pollution, Hazardous Material or environmental clean-up. No Credit Party has received any Environmental Notice. No Credit Party has any contingent liability with respect to any Environmental Release, environmental pollution or Hazardous Materials on any real estate now or previously owned, leased or operated by it, including the Healthcare Facilities.

4.17 Employee Matters. There are no controversies pending or, to the knowledge of any Credit Party, threatened between any Credit Party and any of its employees, agents or independent contractors, other than employee grievances arising in the ordinary course of business which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect, and each Credit Party is in compliance with all Applicable Laws respecting employment and employment terms, conditions and practices, except for such noncompliance which could not reasonably be expected to have a Material Adverse Effect.

4.18 Intellectual Property. Each Credit Party owns or has the legal right to use adequate Intellectual Property to conduct its business as heretofore conducted by it, except to the extent that any such failure could not reasonably be expected to have a Material Adverse Effect. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of any Credit Party, threatened, by any Licensor or other Person against any Credit Party, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

4.19 Healthcare Authorizations. Each Borrower and each other Credit Party (a) have, or have made timely application for all Healthcare Authorizations and other rights from, and have made all declarations and filings with, all applicable Governmental Authorities, all self-regulatory authorities and all courts and other tribunals necessary to engage in the ownership, management and operation of the Healthcare Facilities as presently conducted, and (b) have not received a Material Citation, nor have any knowledge that any Governmental Authority is considering limiting, suspending or revoking any Healthcare Authorization. All of such Healthcare Authorizations are valid and in full force and effect and Borrower and each other Credit Party are in material compliance with the terms and conditions of all such Healthcare Authorizations.

4.20 HIPAA Compliance. Each Borrower and other Credit Party and, with respect to the Healthcare Facilities, any Manager (a) is in compliance in all material respects with HIPAA, (b) has undertaken or will promptly undertake all necessary surveys, audits, inventories, reviews, analyses and/or assessments (including any necessary risk assessments) of all areas of its business and operations required by HIPAA and (c) has in a place a HIPAA compliance program and is in material compliance with its HIPAA compliance program. Neither the Borrower nor any other Credit Party has received any request to make available to the Secretary of the U.S. Department of Health and Human Services or any other Governmental Authority any of its internal practices, books and records relating to the use and disclosure of protected health information. There has not been any Breach of PHI as defined at 45 C.F.R. §164.402, or violations of any security policy regarding, or any unauthorized access of, any data or information used by the Borrower and the other Credit Parties.

4.21 Reimbursement; Third-Party Payors. Each Borrower and each other Credit Party has provided to Administrative Agent copies of all participation agreements with Third-Party Payors with respect to the business operations of each Borrower and each other Credit Party. The Healthcare Facilities and the Healthcare Services provided at such Healthcare Facilities are qualified for participation in the Government Reimbursement Programs, and each Borrower and each other Credit Party is entitled to reimbursement under the Government Reimbursement Programs for Healthcare Services rendered at such Healthcare Facilities to qualified beneficiaries, and each Borrower and each other Credit Party complies with the conditions of participation in all Government Reimbursement Programs and related contracts. Each Borrower and each other Credit Party is in compliance in all material respects with

contracts with Non-Government Payors and is entitled to reimbursement under such contracts. Without limitation, there is no condition not complied with that could reasonably be expected to jeopardize participation in any Government Reimbursement Program or related contracts or otherwise could reasonably be expected to have a Material Adverse Effect. Borrowers are in compliance, and will continue to comply, with all requirements for eligibility for supplemental payments under the QAF Program.

4.22 Compliance with Healthcare Laws.

(a) Each Borrower and each other Credit Party has timely filed or caused to be timely filed, all material cost reports and other reports of every kind whatsoever required by a Government Reimbursement Program, to have been filed or made with respect to the business operations of any such Borrower and any such Credit Party. There are no materials claims, actions or appeals filed, pending or threatened (and neither any Borrower nor any other Credit Party has filed any claims or reports which would result in any such material claims, actions or appeals) before any Governmental Authority pertaining to any such Borrower's or any such Credit Party's business operations including any intermediary or contractor, the Provider Reimbursement Review Board or the Administrator of CMS, with respect to any Medicare or Medicaid cost reports or claims filed by any such Borrower or any such other Credit Party, or any disallowance by any Governmental Authority in connection with any audit of such cost reports;

(b) No Borrower, Credit Party or Manager (i) has been served with or received any written search warrant, subpoena, civil investigative demand or contact letter from any Governmental Authority related to its business operations or any Healthcare Facility or (ii) is currently (nor has been) subject to: (1) any investigation, inspection or inquiry by any Governmental Authority related to any license or licensure standards applicable to any Borrower or any other Credit Party; (2) any civil or criminal investigations, inquiries or audits involving and/or related to any federal, state or private payor healthcare fraud and abuse provisions or contractual prohibitions of healthcare fraud and abuse; or (3) any federal, state or private payor inquiry, investigation, inspection or audit regarding any Borrower or any other Credit Party or their activities, including any federal, state or private payor inquiry or investigation of any Person having "ownership, financial or control interest" in any Borrower or any other Credit Party (as that term is defined in 42 C.F.R. §420.201 et seq.) involving and/or related to healthcare fraud and abuse, false claims under 31 U.S.C. §§3729-3731 or any similar contractual prohibition, or any qui tam action brought pursuant to 31 U.S.C. § 3729 et seq.;

(c) No Credit Party, nor any director, officer, shareholder, employee, agent or Person with a "direct or indirect ownership or control interest" (as that phrase is defined in 42 C.F.R. §420.201) in any Borrower or any other Credit Party or Manager: (1) has had a civil monetary penalty assessed against him or her pursuant to 42 U.S.C. §1320a-7a; (2) has been excluded from participation in a Federal Health Care Program (as that term is defined in 42 U.S.C. §1320a-7b); (3) has been convicted (as that term is defined in 42 C.F.R. §1001.2) of any of those offenses described in 42 U.S.C. §1320a-7b or 18 U.S.C. §§669, 1035, 1347, 1518, including any of the following categories of offenses: (A) criminal offenses relating to the delivery of an item or service under any Federal Health Care Program (as that term is defined in 42 U.S.C. §1320a-7b) or healthcare benefit program (as that term is defined in 18 U.S.C. §24b); (B) criminal offenses under federal or state law relating to patient neglect or abuse in connection with the delivery of a healthcare item or service; (C) criminal offenses under Applicable Laws relating to fraud and abuse, theft, embezzlement, false statements to third parties, money laundering, kickbacks, breach of fiduciary responsibility or other financial misconduct in connection with the delivery of a healthcare item or service or with respect to any act or omission in a program operated by or financed in whole or in part by any Governmental Authority; (D) Applicable Laws relating to the interference with or obstruction of any investigations into any criminal offenses described in (1) through (3) above; or (E)

criminal offenses under Applicable Laws relating to the unlawful manufacturing, distribution, prescription or dispensing of a controlled substance; or (4) has been involved or named in a U.S. Attorney complaint made or any other action taken pursuant to the False Claims Act under 31 U.S.C. §§3729-3731 or qui tam action brought pursuant to 31 U.S.C. §3729 et seq.;

(d) Each Borrower and each other Credit Party is and shall continue to be in material compliance with all Applicable Laws relating to its relationships with physicians;

(e) All Persons providing Healthcare Services for or on behalf of any Borrower or any other Credit Party (either as an employee or independent contractor) are appropriately licensed in every jurisdiction in which they hold themselves out as professional health care providers;

(f) Except as previously disclosed in writing to the Administrative Agent, no Credit Party (i) has retained any overpayment received from, or failed to refund any overpayment due to, any Third-Party Payor in violation of any Healthcare Law or contract; or (ii) has received written notice of, or has knowledge of, any overpayment or refunds due to any Third-Party Payor;

(g) Each Borrower and each other Credit Party has developed and implemented a current and effective corporate and health care regulatory compliance program ("***CCP***") in accordance with applicable state and federal guidelines to ensure that all aspects of its operations, its employees and healthcare providers under contract comply with all applicable Healthcare Laws. As of the Closing Date, neither any Borrower nor any other Credit Party (i) is a party to a corporate integrity agreement or (ii) has any reporting or other obligations pursuant to a settlement agreement, plan of correction, or other remedial measure entered into with a Governmental Authority;

(h) Each Credit Party has obtained all necessary accreditations to operate its business as now conducted, and currently is in material compliance with all statutory and regulatory requirements applicable to it;

(i) Each Credit Party and their employees and contractors, in the exercise of their duties on behalf of any Credit Party, is and shall continue to be in compliance in all material respects with all Healthcare Laws, and any Laws applicable to the collections on Accounts, any contracts relating thereto or any other Collateral, or otherwise applicable to its business and properties, a violation of which could materially affect its ability to collect on the Accounts, or, in the case of the Credit Parties, repay the Obligations; and

(j) No Healthcare Authorizations of any Credit Party necessary to conduct its business are currently or are likely to be suspended, revoked, limited or denied renewal at any time, which suspension, revocation, limitation or denial could reasonably be expected to have a Material Adverse Effect.

4.23 Licensed Beds. As of the Closing Date, the number of licensed beds authorized for use in each Healthcare Facility is set forth on Schedule 4.23 hereto.

4.24 No Defaults. No event or circumstance has occurred or exists that constitutes a Default or Event of Default.

4.25 Patriot Act and OFAC Compliance. Neither any Borrower nor any other Credit Party nor any officer, director, shareholder or partner in any Borrower or member of such partner nor any owner of a direct or indirect interest in any Borrower (a) is listed on any Government Lists, (b) is a person who has been determined by competent authority to be subject to the prohibitions contained in

Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof, (c) has been previously indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense, (d) is currently under investigation by any Governmental Authority for alleged criminal activity or (e) is currently the subject or target of any Sanctions or located, organized or resident in any country or territory targeted by any Sanctions.

4.26 Survival. All of the representations and warranties in this Article 4 and elsewhere in the Loan Documents (i) shall survive until the repayment in full of the Obligations and the termination of this Agreement as described herein and (ii) shall be deemed to have been relied upon by Administrative Agent and Lenders notwithstanding any investigation heretofore or hereafter made by Administrative Agent or any Lender, or on its or their behalf.

4.27 Subordinated Indebtedness. The Credit Parties have delivered to Administrative Agent true and correct copies of all Subordinated Indebtedness Documents. None of the Subordinated Indebtedness Documents have been amended or modified except pursuant to a written agreement which has been delivered to Administrative Agent. No breach or default (beyond any applicable notice or cure period) has occurred or is continuing under any Subordinated Indebtedness Documents.

4.28 Federal Employer Identification Number. Each Credit Party's federal employer identification number is listed on Schedule 4.27 hereto.

4.29 Appointment of a Trustee or Examiner; Liquidation. No order has been entered in any Bankruptcy Case (a) for the appointment of a Chapter 11 trustee, (b) for the appointment of an examiner with expanded powers (beyond those set forth in Sections 1106(a)(3) and (4) of the Bankruptcy Code) under Section 1104 of the Bankruptcy Code, (c) to convert any Bankruptcy Case to a case under Chapter 7 of the Bankruptcy Code, or (d) to dismiss any Bankruptcy Case, and in each case no Borrower has applied for, consented to or acquiesced in such actions.

4.30 Reorganization Matters.

(a) The Bankruptcy Cases were commenced on the Petition Date in accordance with applicable Law and proper notice thereof.

(b) Proper notice for (i) the motion seeking approval of this Agreement, the other Loan Documents, the Interim Order and Final Order, (ii) the hearing for the approval of the Interim Order (the "***Interim Hearing***") and (iii) the hearing for approval of the Final Order has been given. The Borrowers and Guarantors have given, on a timely basis as specified in the Interim Order and the Final Order, all notices required to be given to all parties specified in the Interim Order and Final Order.

(c) From and after the entry of the Interim Order, and pursuant to and to the extent provided in the Interim Order, the Liens securing the Obligations are valid and enforceable, perfected Liens on all of the Collateral of the Administrative Agent and Lenders with the priority required by the Financing Orders with respect to all Collateral.

(d) After entry of the Interim Order, and pursuant to the Interim Order and Final Order, the Obligations will constitute allowed administrative expense claims in the Bankruptcy Case, having priority over all administrative expense claims and unsecured claims against the Borrowers and Guarantors now existing or hereafter arising, of any kind whatsoever, including, without limitation, all administrative expense claims of the kind specified in Sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c) 726 (to the extent permitted by Law), 1113, 1114, or any other provision of

the Bankruptcy Code or otherwise, as provided under Section 364(c)(1) of the Bankruptcy Code, subject only to the Carve-Out.

(e) The Interim Order (with respect to the period prior to entry of the Final Order) or the Final Order (with respect to the period on and after entry of the Final Order), as the case may be, is in full force and effect and has not been reversed, stayed, modified, or amended.

(f) Notwithstanding the provisions of Section 362 of the Bankruptcy Code, and subject to the applicable provisions of the Interim Order or Final Order and Section 9.2, as the case may be, on the Revolving Loan Termination Date the Administrative Agent and Lenders shall be entitled to payment of such Obligations and to enforce the remedies provided for hereunder or under applicable Law, without further application to or order by the Bankruptcy Court.

(g) Proper notice for (i) any Asset Sale Motions, Asset Sale Bid Procedure Orders, and Asset Sale Orders, and (ii) the hearing for the approval of any Asset Sale Orders has been given. Borrowers and Guarantors have given on a timely basis all notices required to be given to all parties specified in the applicable Asset Sale Motion, Asset Sale Bid Procedure Order and Asset Sale Order.

ARTICLE 5 AFFIRMATIVE COVENANTS

So long as any Lender shall have any commitment to make any Loan hereunder, or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, each Borrower and each other Credit Party that is a party hereto covenants and agrees as follows:

5.1 Payment of Obligations. Subject to the entry of appropriate orders of the Bankruptcy Court (if any), each Borrower and each other Credit Party shall pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being reasonably contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by such Borrower or such other Credit Party; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property (other than Permitted Liens); and (c) all Indebtedness, as and when due and payable (subject to any applicable grace or cure periods), but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

5.2 Preservation of Existence, Etc. Each Borrower and each other Credit Party shall (a) preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization; and (b) take all action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.3 Maintenance of Properties. Each Borrower and each other Credit Party shall (a) maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) use the standard of care typical in the industry in the operation and maintenance of its Healthcare Facilities. Subject to entry of the appropriate order or orders of the Bankruptcy Court (if any), Borrowers will pay or cause to be paid all Taxes on or prior to the date due, and in any event, prior to the date upon which any fine, penalty, interest or cost for nonpayment could be imposed, and furnish to Administrative Agent, upon request, receipted bills of the appropriate taxing authority or other documentation reasonably satisfactory to Administrative Agent

evidencing the payment thereof. If any Borrower shall fail to pay any Taxes in accordance with this section (unless such Taxes are being reasonably contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by such Borrower or such other Credit Party), Administrative Agent shall have the right, but shall not be obligated, to (for the account of all Lenders) pay such Taxes, and Borrowers shall repay to Administrative Agent, on written demand, any amount paid by Administrative Agent, with interest thereon from the date of the advance thereof to the date of repayment, at the rate applicable during periods of Default hereunder, and such amount shall constitute a portion of the Obligations. Borrowers shall not pay any Taxes or other obligations in installments unless permitted by applicable Laws, and shall, upon the request of Administrative Agent, deliver copies of all notices and bills relating to any Taxes or other charge covered by this section to Administrative Agent.

5.4 Maintenance of Insurance. Subject to entry of the appropriate order or orders of the Bankruptcy Court (if any), each Borrower and each other Credit Party shall maintain at all times insurance on all of their respective properties and assets covering the repair and replacement costs of all such property (including the perils of flood and earthquake) and coverage for business interruption and professional liability, comprehensive general liability and excess liability/umbrella insurance with financially sound and reputable insurance companies, in such reasonable amounts and covering such insurable risks as are at all times reasonably satisfactory to Administrative Agent and with respect to coverage limits, the limits and coverages as in effect on the Closing Date (the "***Required Insurance***").[1] All policies relating to Required Insurance are to contain such other provisions as Administrative Agent reasonably may require to fully protect Administrative Agent's and Lenders' interest in the Collateral and to any payments to be made under such policies. All professional and general liability insurance policies, including umbrella/excess policies, relating to Required Insurance shall name Administrative Agent, on behalf of itself and the Lenders, as an "additional insured," and all property insurance policies relating to Required Insurance shall name Administrative Agent, on behalf of itself and the Lenders, as lender's loss payee. Each loss payable endorsement in favor of Administrative Agent, on behalf of itself and the Lenders, shall provide (x) for not less than thirty (30) days prior written notice to Administrative Agent of the exercise of any right of cancellation or material alteration and (y) that Administrative Agent's, on behalf of itself and the Lenders, right to payment under any property insurance policy will not be invalidated by any act or neglect of, or any breach of warranty or condition by, Borrowers (or any of them) or any other party. If an Event of Default shall have occurred and remain outstanding, Administrative Agent shall have the sole right, in the name of Administrative Agent, on behalf of itself and the Lenders, or Borrowers (or any of them), to file claims under any insurance policies, to receive, receipt and give acquittances for any payments that may be payable thereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies. In the event any Borrower or any other Credit Party fails to provide Administrative Agent with evidence of the Required Insurance in the manner set forth in this Section 5.4, Administrative Agent (for the benefit of itself and the Lenders) may, following three (3) days' written notice to Borrower Representative, purchase insurance at Borrowers' expense to protect Administrative Agent's and the Lenders' interests in the Collateral. The insurance purchased by Administrative Agent (for the benefit of itself and the Lenders) may, but need not, protect Borrowers' interests in the Collateral, and therefor such insurance may not pay any claim that any Borrower may make or any claim that is made against any Borrower in connection with the Collateral. Borrowers may later request that Administrative Agent cancel any insurance purchased by Administrative Agent, but only after providing Administrative Agent with satisfactory evidence that Borrowers have the Required Insurance. If Administrative Agent purchases insurance covering all or any portion of the Collateral, Borrowers shall be responsible for the costs of such insurance, including interest (at the applicable rate set forth hereunder for Revolving Loans) and other

[1] Ally still reviewing.

charges accruing on the purchase price thereof, until the effective date of the cancellation or the expiration of the insurance, and Administrative Agent may add all of such costs, interest and other charges to the Obligations. The costs of the premiums of any insurance purchased by Administrative Agent may exceed the costs of insurance that Borrowers may be able to purchase on their own.

5.5 Compliance With Laws. Each Borrower and each other Credit Party shall and shall cause any Manager to comply with the requirements of all Applicable Laws (including without limitation any Environmental Laws and Healthcare Laws) and obtain, maintain and comply with all Governmental Authorizations and Healthcare Authorizations, in each instance, applicable to it or to its business or property, in each case except to the extent any failure to comply with the foregoing could not reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, if any Environmental Release occurs at any Healthcare Facility or any other properties of any Borrower or any other Credit Party, the applicable Borrower or other Credit Party shall act promptly and diligently to investigate and report to Administrative Agent and all appropriate Governmental Authorities the extent of, and to make appropriate remedial action to eliminate, such Environmental Release, whether or not directed to do so by any Governmental Authority.

5.6 Books and Records. Each Borrower and each other Credit Party shall (a) maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP, consistently applied shall be made of all financial transactions and matters involving the assets and business of such Borrower or such other Credit Party; and (b) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over such Borrower or such other Credit Party. Each Credit Party shall maintain or cause to be maintained at all times books and records pertaining to the Collateral in such detail, form and scope as Administrative Agent shall reasonably require.

5.7 Inspection Rights; Field Audits. Each Borrower and each other Credit Party will cause the Bankruptcy Court to provide access, pursuant to court order, to and will permit (and shall direct each Subsidiary and any Manager to permit) agents, representatives, consultants and other independent contractors of Administrative Agent to visit and inspect any of its Healthcare Facilities and other properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, and to conduct a field examination and audit of the Collateral, all at the expense of Borrowers and at such reasonable times during normal business hours and as often as may be reasonably desired (provided that so long as no Event of Default exists, not more than once every three (3) months), and so long as no Event of Default exists, upon reasonable advance notice to Borrower Representative.

5.8 Landlord and Warehouse Agreements. Each Borrower and each other Credit Party shall, upon request, provide Administrative Agent with copies of all existing agreements, and promptly after execution thereof provide Administrative Agent with copies of all future agreements, between any Borrower, any other Credit Party and any landlord, warehouseman, processor, shipper, bailee or other Person that owns any premises at which any Collateral may be kept or that otherwise may possess or handle any Collateral and obtain a Collateral Access Agreement with any such landlord, warehouseman, processor, shipper, bailee or other Person. Upon Administrative Agent's request, each Borrower and each other Credit Party shall deliver to Administrative Agent fully-executed agreements, in form and substance satisfactory to Administrative Agent, between each Borrower and each other Credit Party, the Administrative Agent and the Credit Parties' vendors that provide off-site data storage, network hosting or management, shared application services or other "cloud-based" services to Borrowers or other Credit Parties, which shall provide Administrative Agent with such access to Borrowers' and other Credit Parties' billing and Accounts records as Administrative Agent deems necessary or helpful in connection

with Administrative Agent's and Lenders' audit and inspection rights under the Loan Documents and the collection or realization of or on the Collateral.

5.9 Licenses. Each Borrower and each other Credit Party shall (a) keep each License affecting any Collateral or any other properties and assets of any Credit Party in full force and effect, and pay all Royalties, in each case, except where the failure to do so would not reasonably be likely to result in a Material Adverse Effect (each such License shall be referred to herein as a "***Material License***"); (b) promptly notify Administrative Agent of any proposed modification to any Material License, or entry into any new Material License, in each case at least ten (10) days prior to its closing date; and (c) notify Administrative Agent of any default or breach (beyond any applicable cure period) asserted by any Person to have occurred under any Material License.

5.10 Healthcare Operations.

(a) Each Borrower and each other Credit Party shall maintain in full force and effect, and free from restrictions, probations, conditions or known conflicts which would materially impair the use or operation of any Healthcare Facility for its current use, all Healthcare Authorizations necessary under Healthcare Laws (A) to carry on the business of Borrowers as it is conducted on the Closing Date, and (B) to continue to receive reimbursement thereunder in substantial compliance with all requirements for participation in, and for the licensure required to provide the Healthcare Services that are reimbursable under, any Third-Party Payor programs as to which any Borrower or any other Credit Party receives or has applied for reimbursement as part of its business.

(b) Each Borrower and each other Credit Party shall cause all Healthcare Authorizations and any other agreements necessary for the use and operation of the Healthcare Facilities or as may be necessary for participation in Third-Party Payor programs to remain in full force and effect.

(c) Each Borrower and each other Credit Party shall maintain a CCP to ensure that all aspects of its operations, its employees and healthcare providers under contract comply with all applicable Healthcare Laws, and shall, upon request, allow Administrative Agent and/or any outside consultants from time to time to review such CCP.

(d) If any Healthcare Facility is currently accredited by the Joint Commission, Borrower and each other Credit Party shall (i) maintain such accreditation in good standing and without limitation or impairment, (ii) timely submit to the Joint Commission a plan of correction for any deficiencies listed on any Joint Commission accreditation survey report, and (iii) cure all such deficiencies within such time frame as is necessary to preserve and maintain in good standing and without limitation or impairment such Joint Commission accreditation.

(e) Each Borrower and each other Credit Party shall timely file all cost reports, cost statements, documents, notices and other reports required to be filed by any Governmental Authority or any Third-Party Payor program. All such filings shall be complete and accurate in all material respects and shall comply with all requirements of Applicable Law and all conditions of participation, conditions of payment, contracts, standards, policies, manuals, procedures and other requirements of all applicable Third-Party Payor programs.

(f) All documentation, coding, billing and collection practices of each Borrower and each other Credit Party, and of any billing or collection agent acting on behalf of any Borrower or any other Credit Party, shall be in compliance with all Applicable Laws and all conditions of participation, conditions of payment, contracts, standards, policies, manuals, procedures and other requirements of all applicable Third-Party Payor programs. Each Borrower and each other Credit Party shall document, code,

bill and process claims for reimbursement and report and refund any overpayments received from Third-Party Payor programs in material compliance with all Applicable Law and Third-Party Payor programs.

(g) Each Credit Party shall use commercially reasonable efforts to obtain and provide to Administrative Agent upon request, (i) an accurate, complete and current list of all participation agreements with Third-Party Payors and (ii) Medicare certification letters, in each case, with respect to the business of such Credit Party.

(h) Each Credit Party shall maintain each CON required under applicable Healthcare Laws in full force and effect and free from restrictions or known conflicts which would materially impair the use or operation of such Healthcare Facility for its current use, and shall not permit any such CON to become provisional, probationary or restricted in any way, except for such restrictions existing on the Closing Date with respect to which such Healthcare Facility's operations are compliant.

5.11 Further Assurances. Each Borrower and each other Credit Party shall (a) execute and deliver to Administrative Agent promptly upon request such documents, instruments, certificates, assignments and other writings, and do such other acts necessary or desirable, to evidence, preserve and/or protect the Collateral and/or for the better and more effective carrying out of the intents and purposes of the Loan Documents, as Administrative Agent may reasonably require from time to time including the filing of a financing statement or financing statement change to establish or maintain the validity, perfection and priority of the security interest granted herein in the event of the name change of a Credit Party, delivery of certificated equity interests required to be pledged, execution and delivery of intellectual property security agreements or other actions that are necessary or desirable to perfect the Liens of Administrative Agent on the Collateral; (b) upon Administrative Agent's request therefor given from time to time, pay for reports of UCC, federal tax Lien, state tax Lien, judgment and pending litigation searches with respect to each Borrower and each other Credit Party, each such search to be conducted by search firms designated by Administrative Agent in each of the locations designated by Administrative Agent; and (c) comply with the requirements of all Applicable Laws in order to grant to Administrative Agent, for the benefit of itself and Lenders, valid and perfected First Priority security interests in the Collateral, with perfection, in the case of any investment property, deposit account or letter of credit, being effected by giving Administrative Agent control of such investment property or deposit account or letter of credit.

5.12 [Reserved].

5.13 Environmental Matters. In addition to and without limiting the generality of Section 5.5, each Credit Party shall (a) comply with all applicable Environmental Laws to the extent that noncompliance could reasonably be expected to have a Material Adverse Effect; (b) obtain and comply with any and all Governmental Authorizations required by applicable Environmental Laws to the extent that not obtaining and not complying with such licenses, approvals, notifications, and registrations could reasonably be expected to have a Material Adverse Effect; and (c) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under applicable Environmental Laws following any Environmental Release, and promptly comply with all lawful orders and directives of any Governmental Authority regarding such Environmental Laws, except orders and directives that are being challenged in good faith. Without limiting the generality of the foregoing, if any material Environmental Release occurs at or on any properties of any Credit Party, it shall act promptly and diligently to investigate and report the extent of such Environmental Release to Administrative Agent and, if required by Applicable Law, all appropriate Governmental Authorities, and, to the extent required by Applicable Law, to take appropriate remedial action to address, such Environmental Release, whether or not directed to do so by any Governmental Authority.

5.14 Account Control Agreements. Each Credit Party shall maintain at all times a valid and enforceable account control agreement with respect to each Lockbox Account, the Concentration Account, the Borrower Operating Account and any other deposit account or securities account owned by any Credit Party (other than any deposit account dedicated exclusively to payroll purposes), in each case in form and substance satisfactory to Administrative Agent.

5.15 Patriot Act Compliance.

(a) Each Credit Party shall comply with the Patriot Act and all applicable requirements of Governmental Authorities having jurisdiction over such Credit Party or the Collateral, including those relating to money laundering and terrorism. Administrative Agent shall have the right to audit each Credit Party's compliance with the Patriot Act and all applicable requirements of any Governmental Authority having jurisdiction over any such Credit Party and the Collateral, including those relating to money laundering and terrorism. In the event that any Credit Party fails to comply with the Patriot Act or any such requirements of any such Governmental Authority, then Administrative Agent may, at its option, cause such Credit Party to comply therewith and any and all reasonable costs and expenses incurred by Administrative Agent in connection therewith shall be added to the Obligations, shall be secured by the Collateral and the other Loan Documents and shall be immediately due and payable. For purposes hereof, the term "***Patriot Act***" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as the same may be amended from time to time, and corresponding provisions of future laws.

(b) No Credit Party nor any officer, director, shareholder or partner in any Credit Party or member of such partner nor any owner of a direct or indirect interest in any Credit Party (a) is listed on any Government Lists, (b) is a person who has been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof, (c) has been previously indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense, or (d) is currently under investigation by any Governmental Authority for alleged criminal activity.

5.16 Reorganization Milestones. The Borrowers shall timely comply with the Reorganization Milestones, it being expressly understood that time is of the essence.

5.17 Bankruptcy Reports. Promptly after the sending, receiving or filing thereof, copies of all reports, motions, affidavits, statements and other documents that any Borrower sends, receives or files in connection with the Bankruptcy Cases, including all correspondence with the Bankruptcy Court, shall be delivered to Administrative Agent and Lenders.

5.18 Escrow of Asset Sale Proceeds and Deposits. Prior to the date on which the Obligations have been indefeasibly paid in full, all in accordance with the terms of this Agreement, and this Agreement has been terminated (or as otherwise expressly consented to by Administrative Agent on terms and conditions that are acceptable to Administrative Agent, which consent may be withheld in its sole discretion), all proceeds and deposits received by any Borrower in connection with any Asset Sale shall be held in escrow in a deposit account subject to a deposit account control agreement in favor of Administrative Agent (including all subaccounts thereof, the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled with any other funds of the Borrowers or otherwise. Administrative Agent, on behalf of the Lenders, is hereby granted a first priority Lien on the Escrow Deposit Account and all proceeds of any Asset Sale, including any deposit provided by any Buyer in connection with any Asset Sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral hereunder. On the Revolving Loan Termination Date, Administrative Agent shall

apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of each Revolving Loan, together with accrued and unpaid Obligations, with any remaining balance to be delivered to Borrowers; provided, however, that upon any Borrower's request and with the consent of the Administrative Agent (which consent may, for the avoidance of doubt, be withheld in its sole discretion), proceeds of any Asset Sales and deposits provided in connection with any Asset Sales may be disbursed to Specified Prepetition Secured Creditors on terms and conditions that are acceptable to the Administrative Agent in its sole discretion.

5.19 Post-Closing Items. Each Borrower and each other Credit Party shall satisfy the requirements, and provide to the Administrative Agent each of the agreements, instruments and documents, in each case described on Schedule 5.19 on or before the date specified for such requirement or delivery on Schedule 5.19 (or such later date as agreed to by the Administrative Agent in its sole discretion), and any failure of the Borrowers and Credit Parties to satisfy any such requirement or delivery shall constitute an immediate Event of Default.

ARTICLE 6 NEGATIVE COVENANTS

So long as any Lender shall have any commitment to make any Loan hereunder, or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, each Borrower and each other Credit Party that is a party hereto covenants and agrees as follows:

6.1 Liens. Each Borrower and each other Credit Party shall not create, incur, assume or suffer to exist any Lien upon any Collateral or any of its other property, assets or revenues, whether now owned or hereafter acquired, other than Permitted Liens. The designation of any Lien or other encumbrance as a Permitted Lien shall not limit the Administrative Agent's right to take a reserve against Availability with respect thereto. The prohibition provided for in this Section 6.1 specifically includes any effort by any Borrower, any Committee or any other party in interest in the Bankruptcy Cases to prime or create *pari passu* to any claims Liens or interests of the Administrative Agent and the Lenders, other than as set forth in the applicable Financing Order and irrespective of whether such claims, Liens or interests may be "adequately protected."

6.2 Investments. Each Borrower and each other Credit Party shall not make any Investments, except for Permitted Investments.

6.3 Indebtedness. Each Borrower and each other Credit Party shall not create, incur, assume or suffer to exist any Indebtedness, except for Permitted Indebtedness.

6.4 Loans. Each Borrower and each other Credit Party shall not make any loans or other advances of money to any Person, except (a) advances to an officer or employee for salary, travel expenses, commissions and similar items in the ordinary course of business; (b) prepaid expenses and extensions of trade credit made in the ordinary course of business; (c) deposits with financial institutions permitted hereunder; and (d) Permitted Intercompany Loans.

6.5 Asset Dispositions; Settlement of Debts. Each Borrower and each other Credit Party shall not make any Asset Disposition, except a Permitted Asset Disposition (whereupon the net proceeds of any such Permitted Asset Disposition shall be promptly deposited into the Escrow Deposit Account). Each Borrower and each other Credit Party shall not cancel or otherwise forgive or release any claim or debt owed to such Borrower or such other Credit Party by any Person, except for adequate consideration and in the ordinary course of such Borrower's or such other Credit Party's business.

6.6 Distributions. Each Borrower and each other Credit Party shall not declare or make, directly or indirectly, any Distribution, or incur any obligation (contingent or otherwise) to do so.

6.7 Fundamental Changes; Change to Organization Documents. Each Borrower and each other Credit Party shall not (a) engage in any business activity not related to the ownership or operation of the Healthcare Facilities or any business substantially related or incidental thereto, (b) cease operating any material portion of the Healthcare Facilities or its business as conducted on the Closing Date, except with respect to the Seton Cash Burn Elimination Plan, (c) amend any of their respective Organization Documents in a manner adverse to any Credit Party or the Lenders, (d) change their jurisdiction of formation or organization or their type or form of organization (e.g., corporation or limited liability company), (e) change their name or identity (including trade name), (f) change their principal place of business, chief executive office, or location of any Collateral, without providing Administrative Agent at least thirty (30) days' prior written notice of such change in location, or (g) merge, dissolve, liquidate, or consolidate with or into another Person, or transfer (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person. No Borrower or other Credit Party will utilize or enter into any agreement with any remote access or internet-based/cloud-based billing services or records repository provider without first entering into such agreements with Administrative Agent and such service provider, in form and substance satisfactory to Administrative Agent, as Administrative Agent shall deem necessary or helpful in the collection or realization of or on its Collateral.

6.8 Transactions With Affiliates. Each Borrower and each other Credit Party shall not enter into any transaction of any kind with any of such Borrower's or such other Credit Party's Affiliates, except (a) transactions expressly permitted by the Loan Documents; (b) payment of regularly scheduled compensation to officers and employees, and loans and advances permitted by Section 6.4; (c) payment of reasonable directors' fees and directors' indemnities to natural Persons; (d) transactions solely between Credit Parties (provided no indebtedness may exist other than Permitted Intercompany Loans); and (e) transactions with Affiliates that were consummated on or prior to the Closing Date, as shown on Schedule 6.8.

6.9 Use of Proceeds. Each Borrower and each other Credit Party shall not use the proceeds of any Loans, whether directly or indirectly, and whether immediately, incidentally or ultimately, for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulation U or any other regulation of such Board of Governors, or for any purpose prohibited by Laws or any Loan Document.

6.10 Payroll Service. Verity Medical Foundation, as a Borrower, shall not fail to maintain a contractual relationship with a payroll tax service provider acceptable to Administrative Agent, in its reasonable discretion, at any time.

6.11 Certain Accounting Changes. Each Borrower and each other Credit Party shall not (a) change its Fiscal Year end or (b) make any change in its accounting treatment and reporting practices except as required or permitted by GAAP.

6.12 Healthcare Matters. Each Borrower and each other Credit Party shall not suffer or permit to occur any of the following:

(a) any transfer of a Healthcare Authorization or rights thereunder to any Person (other than a Borrower or Administrative Agent) or to any location other than a Healthcare Facility approved by Administrative Agent in advance in writing; or

(b) any rescission, withdrawal, revocation, amendment or modification of or other alteration to the nature, tenor or scope of any Healthcare Authorization without Administrative Agent's prior written consent, including (I) any change to the authorized licensed beds or units capacity of any Healthcare Facility and/or the number of licensed beds or units approved by the applicable Governmental Authority, and (II) any transfer all or any part of any Healthcare Facility's authorized units or licensed beds to another site or location.

Notwithstanding the foregoing, no Credit Party shall enter into arrangements which (i) provide remuneration to Persons in return for referrals to any Credit Party; (ii) receive remuneration from Persons in return for referrals by any Credit Party; or (iii) otherwise violate the provisions of the Federal health care program exclusion provisions (42 U.S.C. §1320a-7); the Civil Monetary Penalties Act (42 U.S.C. §1320a-7a), the Federal health care program fraud and abuse provision (42 U.S.C. §1320-7b) and other such Healthcare Laws.

6.13 ERISA. Each Borrower and each other Credit Party shall not engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Administrative Agent or any Lender of any of its rights hereunder or the other Loan Documents) to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA.

6.14 Management Agreement; Leases, Subordinated Indebtedness and other Material Contracts.

(a) Each Borrower and each other Credit Party shall not retain, substitute or replace any Manager or make or enter into, consent to any modification, amendment, assignment, termination or cancellation of any Management Agreement without the prior written consent of the Administrative Agent. The covenants, agreements and restrictions contained in this Section 6.14 are solely for the purposes of assuring that the Healthcare Facilities are managed and operated in a first-class manner consistent with Healthcare Laws and the preservation and protection of the Healthcare Facilities as security for the Obligations and shall not place responsibility for the control, care, management or repair of the Healthcare Facilities upon Administrative Agent or any Lender, or make Administrative Agent or any Lender responsible or liable for any negligence in the management, operation, upkeep, repair or control of the Healthcare Facilities. No Borrower shall suffer or permit any material breach or default to occur in any of such Borrower's obligations under any Management Agreement, nor suffer or permit the same to terminate by reason of any failure of such Borrower to meet any requirement thereof.

(b) Each Credit Party shall cause any Manager to enter into a Management Fee Subordination Agreement, in form and substance satisfactory to Administrative Agent, pursuant to which (i) all compensation due to such Manager is subordinated in right and time of payment to all Obligations hereunder, (ii) all compensation due to such Manager is subordinated in right and time of payment to all Obligations hereunder, and (iii) Administrative Agent has the right to terminate the engagement of such Manager upon or following the occurrence of any Default or Event of Default.

(c) No Borrower nor any other Credit Party shall amend, otherwise modify or terminate any Lease Agreement, Subordinated Indebtedness Document, Asset Sale Document or other Material Contract except as approved by the Administrative Agent.

6.15 Restrictive Agreements. Each Borrower and each other Credit Party shall not enter into any Restrictive Agreement, except (a) a Restrictive Agreement relating to secured Permitted Indebtedness, if such restrictions apply only to the collateral for such Permitted Indebtedness; and (b) customary provisions in leases and other contracts restricting assignment thereof or Liens in the assets or real property covered thereby.

6.16 Swap Agreements. Each Borrower and each other Credit Party shall not enter into any Swap Agreement.

6.17 IRS Form 8821; Federal Employer Identification Number. Each Borrower and each other Credit Party shall not alter, amend, restate, or otherwise modify, or withdraw, terminate or re-file the IRS Form 8821 required to be filed pursuant to Section 3.1(f). No Borrower or other Credit Party shall change its federal employer identification number.

6.18 Burdensome Agreements. Each Borrower and each other Credit Party shall not, directly or indirectly, enter into any Contractual Obligation (other than this Agreement and any other Loan Document) that (a) limits the ability (i) of any Credit Party or any Subsidiary to make Distributions to any Credit Party or to otherwise transfer property to any Credit Party, (ii) of any Credit Party or any Subsidiary to guarantee the Indebtedness of any Credit Party or (iii) of any Credit Party or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person (other than Permitted Liens and customary anti-assignment provisions in leases, sub-lease, licenses, sub-licenses and contracts); or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

6.19 Interim Order; Final Order; Asset Sale Order; Administrative Expense Priority; Payments.

(a) No Borrower will seek, consent to or suffer to exist at any time any modification, stay, vacation or amendment of the Interim Order, the Final Order or any Asset Sale Order, except for modifications and amendments joined in or agreed to in writing by Administrative Agent.

(b) No Borrower will suffer to exist at any time a priority for any administrative expense or unsecured claim against any Borrower (now existing or hereafter arising of any kind or nature whatsoever, including, without limitation, any administrative expense of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code) equal or superior to the priority of Administrative Agent and the Lenders in respect of the Obligations, except for the Carve-Out.

(c) Prior to the date on which the Obligations have been indefeasibly paid in full, all in accordance with the terms of this Agreement, and this Agreement has been terminated, no Borrower will (i) pay any administrative expenses pursuant to Section 503(b) of the Bankruptcy Code, except (A) administrative expenses incurred in the ordinary course of business of the Borrowers or approved by an order of the Bankruptcy Court and (B) Allowed Fees payable under Section 330 and 331 of the Bankruptcy Code, or (ii) permit or seek to permit the granting of adequate protection in favor of any Person.

(d) Except as provided in the Financing Orders, no Borrower will waive any claims under Section 506(c) of the Bankruptcy Code, or take any other action Administrative Agent deems adverse to Administrative Agent or the Lenders or their rights and remedies under the Loan Documents.

6.20 Bankruptcy Actions.

(a) No Borrower shall enter into any agreement to return any of its inventory or other Collateral outside the ordinary course of business to any of its creditors for application against any prepetition Indebtedness, prepetition trade payables, or other prepetition claims under Section 546(h) of the Bankruptcy Code or allow any creditor to take any setoff or recoupment against any of its prepetition Indebtedness, prepetition trade payables, or other prepetition claims based upon any such return pursuant to Section 553(b)(1) of the Bankruptcy Code or otherwise.

(b) No Borrower shall make (i) any payments on account of any creditor's claims against any Borrowers (including any defeasance with respect to any bonds or other Indebtedness) or, except pursuant to the Budget, any other payments or transfers with respect to any Lien or Indebtedness, (ii) payments on account of claims or expenses arising under Section 503(b)(9) of the Bankruptcy Code, (iii) payments in respect of a reclamation program, or (iv) payments under any management incentive plan or on account of claims or expenses arising under Section 503(c) of the Bankruptcy Code, except in each case, in amounts and on terms and conditions that (A) are approved by order of the Bankruptcy Court and (B) are expressly permitted by the Budget, or otherwise approved by the Administrative Agent in writing. Without limiting the foregoing, no Borrower shall make any adequate protection payments (including any adequate protection payment to a Specified Prepetition Secured Creditor otherwise permitted hereby or by the Financing Orders) during the continuance of a Default or Event of Default.

(c) No Borrower shall insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law wherever enacted (to the extent that it may lawfully do so), now or at any time hereafter in force, that may affect the covenants or the performance of its obligations under this Agreement or the other Loan Documents, and each Credit Party hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to Lenders, but shall suffer and permit the execution of every such power as though no such law has been enacted. Without limiting the foregoing, no Borrower shall obtain, or seek to obtain, any stay on the exercise of the remedies of the Administrative Agent or any Lender hereunder, under any Loan Document or the Financing Orders.

(d) No Borrower shall incur, create, assume, suffer to exist or permit any other super-priority administrative claim which is *pari passu* with or senior to the claims of Administrative Agent and the Lenders against the Borrowers, except as set forth in the applicable Financing Order.

(e) No Borrower shall seek, consent to, or permit to exist, without the prior written consent of the Administrative Agent, any order granting authority to take any action that is prohibited by the terms of this Agreement or the other Loan Documents or refrain from taking any action that is required to be taken by the terms of this Agreement or any of the other Loan Documents.

6.21 Right of Subrogation. No Credit Party shall assert any right of subrogation or contribution against any Credit Party or Subsidiary.

6.22 Subsidiaries. No Credit Party shall create or acquire any Subsidiary other than the Subsidiaries listed on Schedule 4.14.

ARTICLE 7 FINANCIAL COVENANTS

7.1 Maximum Budget Variance. Except as otherwise approved by Administrative Agent, Borrowers shall not permit the (a) aggregate actual disbursements under the Budget for any Test Period (as tested weekly) to exceed the aggregate budgeted disbursements for such Test Period by more than seven and one half percent (7.5%) of the aggregate budgeted amount for such Test Period; provided that with respect to the foregoing clause (a), the amount by which the actual disbursements thereunder during such period are less than the relevant budgeted disbursements may be carried forward to reduce the disbursements under clause (a) in the next succeeding periods until used in full; or (b) aggregate actual cash receipts under the Budget for any Test Period (as tested weekly) to be less ninety-two and one half percent (92.5%) of the aggregate budgeted cash receipts for such Test Period; provided that with respect to the foregoing clause (b), the amount by which the actual cash receipts thereunder during such period

are greater than the relevant budgeted cash receipts may be carried forward to increase the cash receipts under clause (b) in the next succeeding periods until used in full.

7.2 Minimum Liquidity. From the entry of the Interim Order until the entry of the Final Order, Minimum Liquidity shall not be less than the greater of $3,000,000 and 10% of Availability, as tested weekly for the most recent Test Period then ended. After entry of the Final Order, Minimum Liquidity shall not be less than the greater of $10,000,000 and 10% of Availability, as tested weekly for the most recent Test Period then ended; provided, however, Minimum Liquidity shall not be less than the greater of $15,000,000 and 15% of Availability, as tested weekly for the most recent Test Period then ended, if (i) the Borrowers have failed to file with the Bankruptcy Court within thirty (30) days following the Petition Date either (A) the Saint Louise/O'Connor Hospital Bid Procedures Motion, or (B) the Consolidated Sale Motion, in each case unless and until either the Saint Louise/O'Connor Hospital Bid Procedures Motion or the Consolidated Sale Motion is thereafter filed with the Bankruptcy Court within sixty (60) days following the Petition Date, or (ii) the Borrowers have failed to present to the Administrative Agent the Seton Cash Burn Elimination Plan within sixty (60) days following the Petition Date.

ARTICLE 8 NOTICES AND REPORTING

8.1 Notices.

(a) All notices, consents, approvals and requests required or permitted hereunder or any other Loan Document shall be given in writing and shall be effective for all purposes if either hand delivered with receipt acknowledged, or by a nationally recognized overnight delivery service (such as Federal Express), or by certified or registered United States mail, return receipt requested, postage prepaid, or, with respect to routine or administrative notices (but specifically excluding notices of Default, Events of Default or acceleration of the Loans) by electronic mail, in each case addressed as follows (or to such other address or Person as a party shall designate from time to time by notice to the other party):

If to Administrative Agent:

Ally Bank
3 Bethesda Metro Center, Suite 792
Bethesda, MD 20814
Attention: Portfolio Manager
Telecopier No.: (301) 657-9776

with a copy to:

Ally Bank
300 Park Avenue, 4th Floor
New York, New York 10022
Attention: Legal Services
Telecopier No.: 212-884-7189

and

Waller Lansden Dortch & Davis, LLP
511 Union Street, Suite 2700
Nashville, TN 37219
Attn: Gerald Mace and David Lemke

If to a Lender, to the address of such Lender listed on the signature pages hereof;

If to a Borrower:

Verity Health Systems of California, Inc.
2040 E. Mariposa Ave
El Segundo, CA 90245
Attention: Anita Chou
Telecopier No.: ( ) -

with a copy to:

Verity Health Systems of California, Inc.
2040 E. Mariposa Ave
El Segundo, CA 90245
Attention: Elspeth Delaney-Paul, General Counsel
Telecopier No.: ( ) -

A notice given hereunder or any other Loan Document shall be deemed to have been given: in the case of hand delivery, at the time of delivery; in the case of registered or certified mail, when delivered or the first attempted delivery on a Business Day; in the case of overnight delivery, upon the first attempted delivery on a Business Day; or, in the case of electronic mail, at the time of delivery.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that, the foregoing shall not apply to notices to any Lender pursuant to Article 2 if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article 2 by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that, approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided that, if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF ANY MATERIALS OR INFORMATION PROVIDED BY OR ON BEHALF OF THE BORROWERS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM ANY MATERIALS OR INFORMATION

PROVIDED BY OR ON BEHALF OF THE BORROWERS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH ANY MATERIALS OR INFORMATION PROVIDED BY OR ON BEHALF OF THE BORROWERS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Affiliates, partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives (collectively, the "***Agent Parties***") have any liability to the Borrowers, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrowers' or the Administrative Agent's transmission of any materials or information provided by or on behalf of the Borrowers through the internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrowers, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages). As used in this Section 8.1, "***Platform***" means any electronic system, including Intralinks®, ClearPar® and any other internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent, any other Agent Party or any other Person, providing for access to data protected by passcodes or other security system.

8.2 Required Notices from Credit Parties. Each Borrower and each other Credit Party shall promptly, and in any event within three (3) Business Days after such Person or any Authorized Officer of such Person obtains knowledge thereof, provide telephonic and written notice to Administrative Agent and each Lender of any of the following applicable to it:

(a) the commencement of any litigation, proceedings or investigations, including those by or before any Governmental Authority, and all actions and proceedings in any court or before any arbitrator against or involving any Borrower or any other Credit Party or any of its properties, assets or businesses in which the amount of claimed damages, fines or other liabilities is $500,000 or more;

(b) any Material Citation or other notice of any material violation received by any Borrower or any other Credit Party from any Governmental Authority, including any notice of violation of Healthcare Laws or Environmental Laws or any rescission or threatened revocation of any Healthcare Authorization;

(c) any attachment, judgment, Lien, levy or order exceeding $250,000.00 that may be assessed against any Borrower or any other Credit Party;

(d) the occurrence of any "reportable event" (as defined in ERISA) which might result in the termination by the PBGC of any Plan covering any officers or employees of any Credit Party, any benefits of which are, or are required to be, guaranteed by the PBGC, (y) receipt of any notice from the PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor or (z) its intention to terminate or withdraw from any Plan;

(e) the occurrence of any Default or Event of Default;

(f) any material Environmental Release by any Credit Party or on any Healthcare Facility or any other property owned, leased or occupied by any Credit Party; or receipt of any Environmental Notice;

(g) copies of all material reports, if any, submitted to any Borrower, its Board of Directors or members by its independent public accountants in connection with their auditing function, including any management report and any management responses thereto or any notice given or received regarding the discharge of or any withdrawal or resignation by any Borrower's or Credit Party's certified independent accountants;

(h) promptly after any material property owned or used by any Borrower or any other Credit Party is materially damaged or destroyed, or suffers any other material loss in excess of $1,000,000;

(i) (i) the receipt of any complaint, notice or request from any Governmental Authority or Government Reimbursement Program regarding any investigation or claim of liability, (ii) any pending, threatened or actual investigation or survey of any Borrower, any other Credit Party, or their directors, officers or managing employees by any Third-Party Payor, (iii) any Borrower or any other Credit Party becoming a party to a corporate integrity agreement with the Office of Inspector General of the Department of Health and Human Services, (iv) any Borrower or any other Credit Party entering into any settlement agreement with any Governmental Authority, (v) any Borrower or any other Credit Party becoming a defendant in any qui tam/False Claims Act litigation, (vi) any Borrower or other Credit Party being served with or receiving any search warrant, subpoena, civil investigative demand or contact letter by or from any federal or state enforcement agency relating to an investigation, but only to the extent that a Borrower or other Credit Party or any Contract Provider material to the applicable Healthcare Facility is the subject of any such investigation, or (viii) any Borrower or other Credit Party becoming subject to any written complaint filed with or submitted to any Governmental Authority having jurisdiction over such Borrower or Credit Party or filed with or submitted to such Borrower or such Credit Party pursuant to their policies relating to the filing or submissions of such types of complaints, from employees, independent contractors, vendors, physicians, or any other Person that would indicate that such Borrower or such Credit Party has violated any Law; the violation thereof which could reasonably be expected to have a Material Adverse Effect;

(j) the receipt of any cost reports, operating surveys, rate reports, rate computation reports, licensing reports, deficiency notices, recoupment orders or similar reports from any Government Reimbursement Program, each together with true and correct copies thereof;

(k) any termination or default (after the lapse of any cure period) or any material notice given or received by a Borrower or any other Credit Party under any Material Contract;

(l) the assertion of any Intellectual Property claim, if an adverse resolution could reasonably be expected to have a Material Adverse Effect; or

(m) the occurrence of any event or circumstance that could reasonably be expected to result in a Material Adverse Effect.

8.3 Borrowing Base Certificates. Each time a Loan is requested and, in any event and regardless of whether a Loan is being requested, not later than Thursday of each week during the Availability Period (and more frequently if Administrative Agent shall request from time to time), Borrower Representative shall deliver to Administrative Agent and each Lender: (A) a Borrowing Base Certificate in form and substance satisfactory to Administrative Agent and signed by an Authorized Officer of Borrower Representative, (B) an aging of gross accounts receivable for Borrowers in form and substance satisfactory to Administrative Agent, and (C) such other information in respect of Eligible Accounts and other Collateral as Administrative Agent may reasonably request, all prepared in accordance with GAAP and in a form reasonably satisfactory to Administrative Agent.

8.4 Financial Statements, Compliance Certificates and Projections.

(a) Weekly.

(i) Commencing on the second Wednesday after the Petition Date and continuing on Wednesday of each week thereafter, Borrowers shall provide a "Variance Report" to Administrative Agent, certified by an Authorized Officer of each Borrower, containing (A) a reconciliation for the immediately preceding week (or two weeks, with respect to the first such report) of budgeted and actual revenue and expense/disbursement amounts, noting therein all variances, on a line-item basis, from amounts set forth for such period in the Cash Flow Forecast, (B) a written narrative explanation (including (1) the cause of the variance, (2) whether this variance is expected to impact the Budget, (3) if known, the degree to which the variance is a permanent variance from the Budget and (4) if appropriate, how the source of such variance will be addressed in subsequent forecasts) if (w) actual disbursements under any line item on the Budget for any week or the then most recently ended Test Period exceed the budgeted disbursements for either such period in such line item by more than ten percent (10%), (x) aggregate actual disbursements under the Budget for any week or the then most recently ended Test Period exceed the aggregate budgeted disbursements for either such period by more than seven and one half percent (7.5%), (y) actual cash receipts under any line item on the Budget for any week or the then most recently ended Test Period are less than ninety percent (90%) of the budgeted cash receipts for either such period in such line item or (z) aggregate actual cash receipts during any week or the then most recently ended Test Period are less than ninety-two and one half percent (92.5%) of aggregate projected cash receipts set forth in the Budget for either such period, (C) an update of the Cash Flow Forecast to reflect the prior week's actual cash receipts and disbursements, and, as appropriate, an update to the remaining weeks under the then-current Cash Flow Forecast, and (D) an aged report listing current gross accounts receivable and current postpetition accounts payable.

(ii) Contemporaneously with delivery of the Variance Report referred to in clause (a)(i) above, Borrowers shall deliver to Administrative Agent and each Lender a Compliance Certificate executed by an Authorized Officer of Borrower Representative.

(b) Monthly.

(i) As soon as available, but in no event later than thirty (30) days after the last day of each calendar month, Borrowers shall deliver to Administrative Agent and each Lender consolidated and consolidating financial statements of Borrowers, the other Credit Parties and their Subsidiaries for such month certified by an Authorized Officer of Borrower Representative, which consolidated and consolidating financial statements shall include the consolidated and consolidating balance sheet of Borrowers, the other Credit Parties and their Subsidiaries at the end of such month and the consolidated and consolidating statement of income, statement of retained earnings and statement of cash flows for such month, all of which shall be in reasonable detail and prepared in accordance with GAAP.

(ii) Contemporaneously with delivery of financial statements referred to in clause (a)(i) above, Borrowers shall deliver to Administrative Agent and each Lender: (A) a Compliance Certificate executed by an Authorized Officer of Borrower Representative, (B) evidence satisfactory to Administrative Agent that all federal and state taxes to the extent such federal and state taxes are due, if any, have been paid in full, including payroll taxes, and (C) a reconciliation of the account trial balance for accounts receivable to the general ledgers.

(iii) On the first Thursday of each month following the Petition Date, Borrowers shall deliver to Administrative Agent and each Lender (A) an updated "rolling" 13-week Cash Flow Forecast in a form similar to the Initial Cash Flow Forecast, which, once approved in writing by the Administrative Agent in its reasonable discretion, shall supplement and replace the prior Cash Flow Forecast without further notice, motion, application to, order of, or hearing before the Bankruptcy Court; (B) a reconciliation of the immediately preceding month's budgeted and actual revenue and expense/disbursement amounts to the corresponding period in the Initial Budget; (C) if there has been a material change in the then current Budget (and in any case if requested by Administrative Agent) an updated budget in a form similar to the Initial Budget (the most recent such updated Budget, the "***Updated Budget***"), which, once approved in writing by the Administrative Agent in its reasonable discretion, shall supplement and replace the prior Budget without further notice, motion, application to, order of, or hearing before the Bankruptcy Court; and (D) if an Updated Budget has been delivered, a reconciliation of the immediately preceding month's budgeted and actual revenue and expense/disbursement amounts to the corresponding period in the Updated Budget.

(c) [Reserved].

(d) Annually.

(i) As soon as available and in any event within one hundred twenty (120) days after the last day of each Fiscal Year, Borrowers shall deliver to Administrative Agent and each Lender: (A) the consolidated and consolidating balance sheet of Borrowers, the other Credit Parties and their Subsidiaries as at the end of such Fiscal Year and the related consolidated and consolidating statements of income, stockholders' equity and cash flow for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the previous Fiscal Year, in reasonable detail and consistent in all material respects with the manner of presentation as of the Closing Date and (B) which shall be certified by an Authorized Officer of Borrower Representative.

(e) Upon Request. Borrowers shall deliver to Administrative Agent and Lenders such other financial reports and other information regarding the operations, business affairs and financial condition of Borrowers and the other Credit Parties as Administrative Agent may reasonably request.

8.5 Protected Health Information. All written information, reports, statements and other papers and data furnished by or on behalf of each Borrower and each other Credit Party to Administrative Agent and Lenders shall be furnished by each Borrower and each other Credit Party in material compliance with all Applicable Laws regarding the use and/or disclosure of patient health information, including, but not limited to, regulations, standards and rules promulgated under the HIPAA. Each Borrower and each other Credit Party, agrees not to include or disclose any "protected health information" in any such information, reports, statements and other papers or data furnished by or on behalf of each Borrower and each other Credit Party to Administrative Agent and Lenders and further agrees to indemnify Administrative Agent and each Lender pursuant to Section 11.15 for any Indemnified Liabilities Administrative Agent or any Lender may incur as a result of the provision of any "protected health information," other than any breach by Administrative Agent or such Lender that results from its own gross negligence or willful misconduct.

ARTICLE 9 DEFAULTS AND REMEDIES

9.1 Events of Default. An "Event of Default" shall exist hereunder if any of the following shall occur:

(a) **Payment**: If any Borrower fails to make any payment of principal on the Loans when due, including any overadvance pursuant to Section 2.5, or fails to make any payment of interest when due and such failure shall continue unremedied for a period of two (2) Business Days;

(b) **Other Obligations**: If any Borrower fails to make any payment of fees, Expenses or other monetary obligations (other than as described in Section 9.1(a)), arising out of or incurred in connection with this Agreement and the other Loan Documents on the date any such payment is due and payable, and such failure continues for a period of three (3) Business Days;

(c) **Covenants**: If any Borrower or any other Credit Party:

(i) shall be in violation, breach or default of, or shall fail to perform, observe or comply with any covenant, obligation or agreement set forth in (A) Sections 5.2, 5.4, 5.7, 5.11, 5.14 or 5.16 of this Agreement or (B) Article 6, Article 7 (at such time as written notice thereof is given to Borrowers by Administrative Agent) or Article 8 of this Agreement; or

(ii) shall be in violation, breach or default of, or shall fail to perform, observe or comply with, any other covenant, obligation or agreement in this Agreement or any other Loan Document (other than any such covenant, obligation or agreement described in Sections 9.1(a), 9.1(b), or 9.1(c)(i) above), and such violation, breach, default or failure continues for a period of thirty (30) calendar days after the earlier of (i) the date on which any Authorized Officer of any Borrower or other Credit Party first knew or became aware (or should have known or been aware) of such failure, violation, breach or default, and (ii) the date on which written notice thereof is given to Borrowers by Administrative Agent;

(d) **Representations, Warranties and Information**: If any representation or warranty made, or financial or other information provided, by any Borrower or any other Credit Party or Affiliate thereof in this Agreement and any other Loan Document, or in any report, certificate, financial statement or other instrument, agreement or document that is delivered in connection with the Loan Documents shall be false or misleading in any material respect (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the date the representation or warranty was made or the financial or other information was provided;

(e) **[Reserved]**;

(f) **Other Indebtedness**: If (i) any Borrower or any other Credit Party shall default beyond any grace period in the payment of principal or interest of any Indebtedness of such Credit Party in excess of $100,000 in the aggregate to any Person (other than to the Administrative Agent and Lenders under Section 9.1(a) or (b)), or (ii) any Borrower or any other Credit Party otherwise defaults under the terms of any such Indebtedness and the holder of such Indebtedness accelerates the payment of such Credit Party's obligations thereunder prior to the maturity date or prior to the regularly scheduled date of payment (without regard to the provisions of any intercreditor agreement that would restrict the ability of the holder to so accelerate or exercise any remedies), in the case of (i) or (ii), other than defaults existing prior to the Petition Date or occurring solely as a result of the commencement of the Bankruptcy Cases or resulting from a Permitted Asset Disposition or entry into the Financing Orders;

(g) **Loan Documents Validity and Enforceability**: The validity or enforceability of any Loan Document shall at any time for any reason be declared to be null and void, or a proceeding shall be commenced by any Borrower, any other Credit Party or any Affiliate thereof, or by any Governmental Authority, seeking to establish the invalidity or unenforceability thereof, or any Borrower or any other Credit Party or any Affiliate of any of the foregoing that is a party thereto shall deny that it has any liability or obligation purported to be created under any Loan Document or shall otherwise attempt to rescind any of their obligations under the Loan Documents;

(h) **Loan Documents**: The occurrence of any event identified in any other Loan Document as an Event of Default;

(i) **Liens**: If any Lien in favor of Administrative Agent shall cease to be a valid, enforceable First Priority Lien or if any Borrower, any Credit Party, any Affiliate of any of the foregoing or any Governmental Authority shall assert any of the foregoing;

(j) **Deposit Account Agreement Instructions**: If (i) any instruction or agreement relating to any Lockbox Account, or any related depository account is amended or terminated without the written consent of Administrative Agent, (ii) any Credit Party instructs or gives any notice to a Deposit Account Bank to cause amounts on deposit in any Lockbox Account to be transferred or disposed of other than as required under Section 2.4, (iii) any Borrower fails to forward any Collections to the applicable Lockbox Account as required under Section 2.4, (iv) any Borrower directs any Account Debtor to make a payment in respect of any Account to any place or deposit account other than the applicable Lockbox Account as required under Section 2.4, or (v) any Borrower fails to remit any other Collections it receives to the Concentration Account in the time period provided under Section 2.4;

(k) **Healthcare Laws and Healthcare Authorizations**: If any of the following shall occur:

(i) any Healthcare Authorizations of any Borrower or any other Credit Party necessary for the operation of any Healthcare Facility in all material respects as presently operated shall be revoked, fail to be renewed, restricted, suspended or terminated;

(ii) any Borrower or any other Credit Party shall fail to be eligible for any reason to participate in any Government Reimbursement Program or to accept assignments or rights to reimbursement thereunder;

(iii) any Non-Government Payor shall terminate, revoke or fail to renew any Borrower's or any other Credit Party's right to participate in any program that provides reimbursement for Healthcare Services, and such termination, revocation or failure to renew has or could reasonably be expected to have a Material Adverse Effect;

(iv) any Credit Party or any Authorized Officer shall have been found guilty of an act of fraud or shall have been indicted for or convicted of a felony crime that relates to any Healthcare Services, any Government Reimbursement Program or any other reimbursement program with a Third-Party Payor; or

(v) If any Credit Party is found to have been overpaid by a Government Account Debtor by more than $1,000,000 (individually or the aggregate) during any period covered by an audit conducted by such Government Account Debtor, and such overpayment is not repaid within 30 days of its due date or subject to an extended repayment plan or similar

agreement with a Governmental Authority, unless the same is being contested in good faith and reserved for in a manner reasonably acceptable to the Administrative Agent;

(l) **Material Contracts**: If (i) a default or event of default shall occur under any Material Contract, any Asset Sale Document or any Lease Agreement that has not been cured within the time period set forth therein, or (ii) the termination of any Material Contract or any Lease Agreement;

(m) **Change of Control**: If any Change of Control shall occur;

(n) **Judgments**: If one or more judgments, orders, or awards for the payment of money involving an aggregate amount of $250,000, or more (except to the extent fully covered by insurance pursuant to which the insurer has not denied coverage) is entered or filed against any Borrower or any other Credit Party, or with respect to any of their respective assets, and either (a) there is a period of thirty (30) consecutive days at any time after the entry of any such judgment, order, or award following obtaining relief from the automatic stay during which (1) the same is not discharged, satisfied, vacated, or bonded pending appeal, or (2) a stay of enforcement thereof is not in effect, or (b) enforcement proceedings are commenced upon such judgment, order, or award;

(o) **Material Adverse Change**: If any material adverse change occurs in the Collateral, business, property, assets, prospects, operations or condition, financial or otherwise of any Borrower or any other Credit Party, or the occurrence of any other event which has or would have a Material Adverse Effect;

(p) **Admissions Default**: Any Governmental Authority ceases to permit new patients to be admitted to any Healthcare Facility other than in connection with the Seton Cash Burn Elimination Plan or Permitted Asset Dispositions; or

(q) **Bankruptcy Defaults**:

(i) if (i) any of the Bankruptcy Cases is converted to a case under Chapter 7 of the Bankruptcy Code, or (ii) any of the Bankruptcy Cases is dismissed, or (iii) any Credit Party shall file a motion or other pleading seeking the dismissal of the Bankruptcy Cases under Section 1112 of the Bankruptcy Code or otherwise or the conversion of the Bankruptcy Cases to Chapter 7 of the Bankruptcy Code;

(ii) if a Chapter 11 trustee, receiver or an examiner with enlarged powers relating to the operations of the Borrowers' business (beyond those set forth under Sections 1106(a)(3) and (4) of the Bankruptcy Code) is appointed pursuant to Section 1104 of the Bankruptcy Code in any of the Bankruptcy Cases;

(iii) except with respect to the Carve-Out, the existence of any claims or charges, or the entry of any order of the Bankruptcy Court authorizing any claims or charges entitled to any super-priority administrative expense claim status or any Lien that is *pari passu* with or senior to those of Administrative Agent and the Lenders is granted to any Person other than Administrative Agent;

(iv) the entry of any order by the Bankruptcy Court granting, or the filing by any Credit Party or any of its Subsidiaries of any motion or other request with the Bankruptcy Court (in each case, other than the Financing Orders and motions seeking entry thereof or permitted amendments or modifications thereto) seeking, authority to use any cash proceeds of any of the Collateral without the Administrative Agent's consent or to obtain any financing under

Section 364 of the Bankruptcy Code, in each case, other than as permitted by the Loan Documents or the Financing Orders

(v) if any Credit Party shall file a motion seeking, or the Bankruptcy Court shall enter an order granting, relief from or modifying the automatic stay of Section 362 of the Bankruptcy Code (A) to allow any creditor (other than the Administrative Agent) to execute upon or enforce a Lien on any Collateral having a value in excess of $50,000, (B) approving any settlement or other stipulation not approved by the Administrative Agent with any secured creditor of any Credit Party providing for payments as adequate protection or otherwise to such secured creditor, (C) with respect to any Lien of or the granting of any Lien on any Collateral to any federal, state or local environmental or regulatory agency or authority, which in either case involves a claim of $100,000 or more or (D) permit other actions not permitted hereunder that could reasonably be expected to have a Material Adverse Effect;

(vi) if any Borrower's or Guarantor's Board of Directors (or other governing body) shall authorize the liquidation of such Borrower's or Guarantor's business pursuant to one or more Section 363 sales or otherwise, or shall file any motion under Section 363 of the Bankruptcy Code, other than pursuant to the Asset Sale Documents, or as otherwise consented to in writing by Administrative Agent and the Required Lenders, other than the Seton Cash Burn Elimination Plan;

(vii) if any Borrower or Guarantor shall fail to comply with or perform any of the terms, conditions, covenants or other obligations under the Interim Order, the Final Order or any Asset Sale Order or to perform in any material respect its obligations under any order of the Bankruptcy Court approving bidding procedures;

(viii) the failure of the Closing Date to occur within three (3) Business Days after entry of the Interim Order without the prior written consent of Administrative Agent;

(ix) if the Final Order has not been entered within thirty (30) days after the date the Interim Order is entered without the prior written consent of Administrative Agent;

(x) if the Borrowers fail to achieve any Reorganization Milestones as and when required, except as otherwise consented to in writing by Administrative Agent;

(xi) except in connection with any Asset Sale, any assumption or rejection of any executory contract without the prior written consent of Administrative Agent;

(xii) (A) the amendment, modification, reversal, revocation, issuance of a stay or order to vacate or supplement the Interim Order, the Final Order, any Asset Sale Order or any other order of the Bankruptcy Court affecting this Agreement, any other Loan Document, any Asset Sale or the transactions contemplated hereby or thereby, in each case, in any manner not acceptable to Administrative Agent and the Required Lenders, (B) the filing of a motion by a Credit Party for reconsideration with respect to the Interim Order, the Final Order or the Cash Management Order, (C) the Interim Order, the Final Order or the cash management order, as applicable, shall otherwise not be in full force and effect or (D) the termination of any Asset Purchase Agreement by the applicable Buyer;

(xiii) if the Confirmation Order shall fail to provide for the payment in full, in cash of all Obligations on or before the Reorganization Effective Date;

(xiv) the circulation or distribution by or on behalf of the Borrowers of any plan of reorganization and/or disclosure statement, or draft thereof (or term sheet or similar indicative statements of terms thereof) that does not provide for repayment in full in cash of all Obligations before or at the Reorganization Effective Date;

(xv) if (A) any Plan Documentation is executed, filed, delivered, or any confirmation order is entered which is not acceptable to the Administrative Agent in its sole discretion or does not provide for repayment in full in cash of all Obligations before or at the Reorganization Effective Date or any of the Credit Parties or their Subsidiaries shall seek, support or fail to contest in good faith the filing or confirmation of any such plan or entry of any such order, (B) the entry of any order terminating any Credit Party's exclusive right to file a plan of reorganization, or (C) the expiration of any Credit Party's exclusive right to file a plan of reorganization;

(xvi) the failure of the Bankruptcy Court to approve any Asset Sale Bid Procedure Order or the Consolidated Sale Motion within thirty (30) days of the filing of the applicable Asset Sale Bid Procedure Order or Consolidated Sale Motion, respectively;

(xvii) if there is a stay or injunction of the Confirmation Order in effect precluding the consummation of the transactions contemplated thereby;

(xviii) the bringing of a motion, taking of any action or the filing of any plan of reorganization or disclosure statement attendant thereto by any of the Credit Parties or any Subsidiary, or any Person claiming by or through any Credit Party or any Subsidiary, in the Bankruptcy Cases: (A) to obtain additional financing under Section 364(c) or Section 364(d) of the Bankruptcy Code not otherwise permitted pursuant to this Agreement; (B) to grant any Lien other than Permitted Liens upon or affecting any Collateral; (C) except as provided in the Interim Order or Final Order or permitted hereunder, as the case may be, to use "cash collateral" of Administrative Agent and the Lender under Section 363(c) of the Bankruptcy Code without the prior written consent of the Administrative Agent; or (D) any other action or actions materially adverse to the Administrative Agent and Lenders or their rights and remedies hereunder, under any other Loan Documents, or their interest in the Collateral, other than as provided in the Financing Orders;

(xix) the payment of, or application for authority to pay, any prepetition claim (including by defeasance) without the Administrative Agent's prior written consent unless in accordance with the Budget or as contemplated by the Financing Orders;

(xx) the allowance of any claim or claims under Section 506(c) of the Bankruptcy Code or otherwise against the Administrative Agent, any Lender or any of the Collateral in excess of $100,000;

(xxi) the commencement of a suit or an action (but not including a motion for standing to commence a suit or an action) against either the Administrative Agent or any Lender by a Credit Party and, as to any suit or action brought by any Person other than an Credit Party or a Subsidiary or a Credit Party, officer or employee of a Credit Party, the continuation thereof without dismissal for sixty (60) days after service thereof on either the Administrative Agent or such Lender, that asserts or seeks by or on behalf of a Credit Party, any state of federal environmental protection or health and safety agency, any official committee in any Bankruptcy Case or any other party in interest in any of the Bankruptcy Cases, a claim or any legal or equitable remedy that would (x) have the effect of invalidating, subordinating or challenging

any or all of the Obligations or Liens of the Administrative Agent or any Lender under the Loan Documents to any other claim, or (y) have a material adverse effect on the rights and remedies of the Administrative Agent or any Lender or the collectability of all or any portion of the Obligations;

(xxii) the entry of an order in the Bankruptcy Cases avoiding or permitting recovery of any portion of the payments made on account of the Obligations;

(xxiii) the Financing Orders shall cease to create a valid and perfected Lien on the Collateral as contemplated therein or to be in full force and effect, shall have been reversed, modified, amended, stayed, vacated, or subject to stay pending appeal, in the case of modification or amendment, without the prior written consent of the Administrative Agent;

(xxiv) an order in the Bankruptcy Cases shall be entered charging any of the Collateral in an amount greater than $100,000 under Section 506(c) of the Bankruptcy Code against the Administrative Agent or any Lender, or the commencement of other actions that is materially adverse to the Administrative Agent, the Lenders or their respective rights and remedies under the Loan Documents in any of the Bankruptcy Cases or inconsistent with any of the Loan Documents, except as provided in the Financing Orders with respect to the Carve-Out;

(xxv) if the Final Order does not include a waiver, in form and substance satisfactory to the Administrative Agent, of the right to surcharge the Collateral under Section 506(c) of the Bankruptcy Code;

(xxvi) an order of the Bankruptcy Court shall be entered denying or terminating use of cash collateral by the Credit Parties;

(xxvii) an order materially adversely impacting the rights and interests of the Administrative Agent and the Lenders, as determined by the Administrative Agent in its reasonable discretion, shall have been entered by the Bankruptcy Court or any other court of competent jurisdiction;

(xxviii) any Credit Party shall challenge, support or encourage a challenge of any payments made to the Administrative Agent or any Lender with respect to the Obligations, or without the consent of the Administrative Agent, the filing of any motion by the Credit Parties seeking approval of (or the entry of an order by the Bankruptcy Court approving) adequate protection to any prepetition agent or lender that is inconsistent with the Financing Orders;

(xxix) if, unless otherwise approved by the Administrative Agent, an order of the Bankruptcy Court shall be entered providing for a change in venue with respect to the Bankruptcy Cases and such order shall not be reversed or vacated within ten (10) days;

(xxx) without the Administrative Agent's consent, any Credit Party or any Subsidiary thereof shall file any motion or other request with the Bankruptcy Court seeking (A) to grant or impose, under Section 364 of the Bankruptcy Code or otherwise, liens or security interests in any DIP Collateral (as defined in the Financing Orders), whether senior, equal or subordinate to the Administrative Agent's and Lenders' liens and security interests other than as permitted hereunder; or (B) to modify or affect in any material respect any of the rights of the Administrative Agent or the Lenders under the Financing Orders, the Loan Documents, and related documents by any plan of reorganization confirmed in the Bankruptcy Cases or subsequent order entered in the Bankruptcy Cases; or

(xxxi) any Credit Party or any Subsidiary thereof shall take any action in support of any matter prohibited by this Section 9.1(r) or any other Person shall do so and such application is not contested in good faith by the Credit Parties and the relief requested is granted in an order that is not stayed pending appeal.

9.2 Remedies. Notwithstanding the provisions of Section 362 of the Bankruptcy Code, if any Event of Default occurs and is continuing, Administrative Agent shall have the right in its sole discretion (or at the discretion of the Required Lenders) to take any or all of the following actions:

(a) declare the commitment of the Lenders to make Loans to be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by any Borrower;

(c) reduce the advance rates in respect of Eligible Accounts or take additional reserves against or otherwise modify the Borrowing Base; and

(d) exercise all rights and remedies available to Administrative Agent and the Lenders under the Loan Documents, including any right of set-off under Section 11.21, or under the UCC or any other Applicable Law;

provided, however, that upon the occurrence of an Event of Default described in Section 9.1(r), the obligation of Lenders to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and other Obligations and all interest and other amounts as aforesaid shall automatically become due and payable without further act of Administrative Agent or any Lender.

9.3 Application of Payments.

(a) So long as no Event of Default has occurred and is continuing, all proceeds of any repayment, including any prepayments of the Loans, shall be applied by Administrative Agent in the following order of priority:

FIRST, to fees, Expenses and any other amounts then due and owing under the Loan Documents;

SECOND, to accrued and unpaid interest on the Loans of each Lender, ratably among them in accordance with their Pro Rata Shares; and

THIRD, to principal on the Loans of each Lender, ratably among them in accordance with their Pro Rata Shares.

(b) Notwithstanding any other provisions of this Agreement to the contrary, upon the occurrence and during the continuance of an Event of Default (or after the Loans and all other Obligations under the Loan Documents have otherwise become due and payable in accordance with the terms of Section 9.2), all amounts collected or received by Administrative Agent and any Lender on account of the Obligations or any other amounts outstanding under any of the Loan Documents or in respect of the Collateral or any disposition of the Collateral shall be applied as follows (and each Borrower irrevocably waives the right to direct the application of any such amounts in any other manner):

FIRST, to the payment of all fees, costs, Expenses and indemnities of Administrative Agent and any Protective Advances made by Administrative Agent pursuant to the terms of the Loan Documents;

SECOND, to payment of that portion of the Obligations constituting fees, costs, Expenses and indemnities of the Lenders as provided herein, ratably among them in accordance with their Pro Rata Shares;

THIRD, to the payment of all of the Obligations consisting of accrued and unpaid interest owing to the Lenders, ratably among them in accordance with their Pro Rata Shares;

FOURTH, to the payment on a pari passu basis of (1) all Obligations consisting of unpaid principal on the Loans, ratably among the Lenders in accordance with their Pro Rata Shares and (2) any amounts due under any Approved Cash Management Obligations;

FIFTH, to all other Obligations which shall have become due and payable under the Loan Documents or otherwise and not repaid pursuant to clauses "FIRST" through "FOURTH" above; and

SIXTH, to the payment of the surplus, if any, to Borrowers or whoever else may be lawfully entitled to receive such surplus.

In carrying out the foregoing, amounts received shall be applied in the numerical order provided above until exhausted prior to application to the next succeeding category.

9.4 Rights to Appoint Receiver. Without limiting and in addition to any other rights, options and remedies Administrative Agent and Lenders have hereunder, the other Loan Documents, the UCC, at law or in equity, upon the occurrence and continuation of an Event of Default or the acceleration of the Loans pursuant to Section 9.2, Administrative Agent shall have the right to apply for and have a receiver appointed by a court of competent jurisdiction to enforce the rights and remedies of the Administrative Agent and the Lenders in order to manage, protect, preserve, sell or dispose the Collateral and continue the operation of the business of Borrowers and the Credit Parties and to collect all revenues and profits thereof and apply the same to the payment of all expenses and other charges of such receivership including the compensation of the receiver and to the payments as aforesaid until a sale or other disposition of such Collateral shall be finally made and consummated. EACH BORROWER AND EACH OTHER CREDIT PARTY HEREBY IRREVOCABLY CONSENTS TO AND WAIVES ANY RIGHT TO OBJECT TO OR OTHERWISE CONTEST THE APPOINTMENT OF RECEIVER AS PROVIDED ABOVE. EACH BORROWER AND EACH OTHER CREDIT PARTY (I) GRANTS SUCH WAIVER AND CONSENT KNOWINGLY AFTER HAVING DISCUSSED THE IMPLICATIONS THEREOF WITH COUNSEL, (II) ACKNOWLEDGES THAT (A) THE UNCONTESTED RIGHT TO HAVE A RECEIVER APPOINTED FOR THE FOREGOING PURPOSES IS CONSIDERED ESSENTIAL BY THE ADMINISTRATIVE AGENT AND LENDERS IN CONNECTION WITH THE ENFORCEMENT OF ITS RIGHTS AND REMEDIES HEREUNDER AND THE OTHER LOAN DOCUMENTS, AND (B) THE AVAILABILITY OF SUCH APPOINTMENT AS A REMEDY UNDER THE FOREGOING CIRCUMSTANCES WAS A MATERIAL FACTOR IN INDUCING ADMINISTRATIVE AGENT AND LENDERS TO MAKE THE LOANS; AND (III) AGREES TO ENTER INTO ANY AND ALL STIPULATIONS IN ANY LEGAL ACTIONS, OR AGREEMENTS OR OTHER INSTRUMENTS IN CONNECTION WITH THE FOREGOING AND TO COOPERATE FULLY WITH ADMINISTRATIVE AGENT AND LENDERS IN CONNECTION WITH THE ASSUMPTION AND EXERCISE OF CONTROL BY THE RECEIVER

OVER ALL OR ANY PORTION OF THE COLLATERAL, THE HEALTHCARE FACILITIES OR ANY OTHER PROPERTY OF ANY BORROWER OR ANY OTHER CREDIT PARTY.

9.5 Remedies Cumulative. Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to Administrative Agent or any Lender against any Borrower or any of the other Credit Parties under the Loan Documents or at law or in equity may be exercised by Administrative Agent at any time and from time to time, whether or not all or any of the Obligations shall be declared, or be automatically, due and payable, and whether or not Administrative Agent shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents. Any such actions taken by Administrative Agent shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as Administrative Agent may determine in its discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Administrative Agent and Lenders permitted by law, equity or contract or as set forth in the Loan Documents. Without limiting the generality of the foregoing, each Borrower agrees that if an Event of Default is continuing, (i) to the extent permitted by Applicable Law, Administrative Agent is not subject to any "one action" or "election of remedies" law or rule, and (ii) all Liens and other rights, remedies or privileges provided to Administrative Agent and Lenders shall remain in full force and effect until Administrative Agent has exhausted all of its remedies against the Collateral, the Collateral has been sold and/or otherwise realized upon in satisfaction of the Obligations or the Obligations have been paid in full. No delay or omission to exercise any remedy, right or power accruing upon an Event of Default, or the granting of any indulgence or compromise by Administrative Agent or any Lender shall impair any such remedy, right or power hereunder or be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. Any suspension or waiver by Administrative Agent or Lenders, as applicable, of a Default or Event of Default shall not suspend, waive or affect any other Default or Event of Default, whether the same is prior or subsequent thereto and whether of the same or of a different kind or character.

9.6 Severance. Administrative Agent shall have the right from time to time to sever this Agreement, any Revolving Notes, and the other Loan Documents into one or more separate notes, mortgages and other security documents in such denominations and priorities of payment and Liens as Administrative Agent shall determine in its discretion for purposes of evidencing and enforcing the rights and remedies of the Administrative Agent and the other Lenders hereunder. Each Credit Party shall execute and deliver to Administrative Agent from time to time, promptly after the request of Administrative Agent, a severance agreement and such other documents as Administrative Agent shall request in order to effect the severance described in the preceding sentence, all in form and substance reasonably satisfactory to Administrative Agent. Each Credit Party hereby absolutely and irrevocably appoints Administrative Agent as its true and lawful attorney, coupled with an interest, in its name and stead to make and execute all documents necessary or desirable to effect such severance, each Credit Party ratifying all that such attorney shall do by virtue thereof.

9.7 Administrative Agent's Right to Perform. If any Borrower or any other Credit Party fails to perform any covenant or obligation contained herein and such failure shall continue for a period of five (5) Business Days after any Borrower's or any other Credit Party's receipt of written notice thereof from Administrative Agent, without in any way limiting Administrative Agent's and Lenders' right to exercise any of their rights, powers or remedies as provided hereunder, or under any of the other Loan Documents, Administrative Agent may, but shall have no obligation to, perform, or cause performance of, such covenant or obligation, and all costs, expenses, liabilities, penalties and fines of Administrative Agent incurred or paid in connection therewith shall be payable by Borrowers to Administrative Agent upon demand and if not paid shall be added to the Obligations, shall be secured by the Collateral and shall

bear interest thereafter at the Default Rate. Notwithstanding the foregoing, Administrative Agent shall have no obligation to send notice to Borrower Representative or any Credit Party of any such failure.

9.8 License. Administrative Agent, on behalf of itself and the Lenders, is hereby granted an irrevocable, non-exclusive license or other right to use, license or sub-license (without payment of royalty or other compensation to any Person) any or all Intellectual Property of any Borrower or any other Credit Party, computer hardware and software, trade secrets, brochures, customer lists, promotional and advertising materials, labels, packaging materials and other property, in advertising for sale, marketing, selling, collecting, completing manufacture of, or otherwise exercising any rights or remedies with respect to, any Collateral. Each Credit Party's rights and interests under Intellectual Property shall inure to Administrative Agent's and Lenders' benefit.

9.9 Injunctive Relief. Each Borrower and each other Credit Party acknowledges and agrees that if any Borrower or other Credit Party fails to perform any covenant or obligation contained herein or under any of the other Loan Documents, Administrative Agent and Lenders may have no adequate remedy in monetary damages and, accordingly, shall be entitled to an injunction, (including a temporary restraining order, preliminary injunction, writ of attachment or order compelling performance) against such non-performance, including maintaining the procedure set forth in this Agreement with respect to Collections. Neither Administrative Agent nor Lenders shall be deemed to have waived any other legal or equitable remedies hereunder, the other Loan Documents or at law if Administrative Agent and Lenders shall seek injunctive relief under this Section 9.9. Each Borrower waives any requirement for the posting of a bond or other security by Administrative Agent and Lenders in connection with any such injunctive relief.

9.10 Collection of Accounts. Subject to Applicable Law regarding Government Account Debtors, Administrative Agent may, at any time and from time to time after the occurrence and during the continuance of an Event of Default, whether before or after notification to any Account Debtor and whether before or after the maturity of any of the Obligations, (i) enforce collection of any Accounts of any Credit Party or other amounts owed to any Credit Party by suit or otherwise; (ii) exercise all of any Credit Party's rights and remedies with respect to proceedings brought to collect any Accounts or other amounts owed to such Credit Party; (iii) surrender, release or exchange all or any part of any Accounts or other amounts owed to any Credit Party, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder; (iv) sell or assign any Account of any Credit Party or other amount owed to any Credit Party upon such terms, for such amount and at such time or times as Administrative Agent deems advisable; (v) prepare, file and sign any Credit Party's name on any proof of claim in bankruptcy or other similar document against any Account Debtor or other Person obligated to any Credit Party; and (vi) do all other acts and things which are necessary, in Administrative Agent's sole discretion, to fulfill any Credit Party's obligations under this Agreement and the other Loan Documents and to allow Administrative Agent to collect the Accounts or other amounts owed to any Credit Party. In addition to any other provision hereof, Administrative Agent may at any time, after the occurrence and during the continuance of an Event of Default, at Borrowers' expense, notify Account Debtors (subject to Applicable Law regarding Government Account Debtors) to make payment directly to Administrative Agent of any amounts due or to become due thereunder (and once such notice has been given to an Account Debtor, no Credit Party shall give any contrary instructions to such Account Debtor during the continuance of an Event of Default without Administrative Agent's prior written consent).

9.11 Assistance and Cooperation. Each Credit Party agrees to assist and cooperate with Administrative Agent, and take any action which Administrative Agent may reasonably request or require of such Credit Party, in order to enable Administrative Agent and Lenders to obtain and enjoy the full rights and benefits granted to Administrative Agent and Lenders by the Credit Parties under this Agreement and the other Loan Documents, including specifically, at the cost and expense of Borrowers,

the use of their commercially reasonable efforts to assist in obtaining approval of any Governmental Authority for any transaction or action contemplated thereunder which is necessary under any Law or Contractual Obligation, and specifically, without limitation, the preparation, execution and filing with any such Person of any application for consent to assignment of Governmental Authorizations or otherwise.

9.12 Terminated Use of Cash Collateral. Without limitation of any of the remedies set forth in this Agreement and the other Loan Documents, upon the occurrence and during the continuance of any Event of Default, or upon the occurrence of the Revolving Loan Termination Date, no Borrower or Guarantor shall have any right to use any cash collateral (as defined in Section 363(a) of the Bankruptcy Code) in which Administrative Agent or the Lenders has an interest other than amounts used for purposes and in a manner otherwise permitted by this Agreement and held in operating accounts subject to "springing" deposit account control agreements in favor of Administrative Agent for which Administrative Agent has not given a notice of exclusive control or similar blocking notice.

9.13 Lift of Automatic Stay. Subject to the Financing Orders, if any Event of Default then exists, the automatic stay shall be modified or vacated to permit Administrative Agent and the Lenders to exercise all rights and remedies under this Agreement, the other Loan Documents or Applicable Law, without notice, application or motion, hearing before, or order of the Bankruptcy Court.

ARTICLE 10 PARTICIPATIONS AND ASSIGNMENTS

10.1 Participations and Assignments.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (e) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and Participants to the extent provided in paragraph (d) of this Section) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more assignees (any such assignee, an "***Assignee***") all or any portion of such Lender's Pro Rata Share of the Revolving Commitment, the Loans and its other rights and obligations hereunder, with the prior written consent of Administrative Agent, Swingline Lender and, so long as no Default or Event of Default has occurred and is continuing, with the prior written consent of Borrowers (all of which consents shall not be unreasonably withheld, conditioned or delayed and shall not be required for an assignment by a Lender to another Lender or an Affiliate of a Lender). Except as Administrative Agent may otherwise agree, any such assignment shall be in a minimum aggregate amount equal to $5,000,000 or, if less, the remaining Revolving Commitment and Loans held by the assigning Lender. Borrowers and Administrative Agent shall be entitled to continue to deal solely and directly with such assigning Lender in connection with the interests so assigned to an Assignee until Administrative Agent shall have received an Assignment Agreement executed, delivered and fully completed by the applicable parties thereto and a processing fee paid by such applicable parties of $3,500.00. No assignment hereunder shall be permitted if to any Ineligible Assignee. Any attempted assignment not made in accordance with this Section 10.1(b) shall be treated as the sale of a participation under Section 10.1(d).

(c) From and after the date on which the conditions described in Section 10.1(b) above have been met, (i) such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned to such Assignee pursuant to such Assignment Agreement, shall have the rights and obligations of a Lender hereunder, and (ii) the assigning Lender, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment Agreement, shall be released from its rights (other than its indemnification rights) and obligations hereunder. Upon the request of the Assignee (and, as applicable, the assigning Lender) pursuant to an effective Assignment Agreement, Borrowers shall execute and deliver to Administrative Agent for delivery to the Assignee (and, as applicable, the assigning Lender) a Revolving Note in the principal amount of the Assignee's Revolving Commitment (and, as applicable, a Revolving Note in the principal amount of the Revolving Commitment retained by the assigning Lender). Each such Revolving Note shall be dated the effective date of such assignment. Upon receipt by the assigning Lender of such Revolving Note, the assigning Lender shall return to Borrowers any prior Revolving Note held by it.

(d) Any Lender may at any time (without any required consent) sell to one or more Persons (other than a Person that is an Ineligible Assignee) participating interests in its respective Revolving Commitment and Loans or other interests hereunder (any such Person, a "***Participant***"). In the event of a sale by a Lender of a participating interest to a Participant, (a) such Lender's obligations hereunder shall remain unchanged for all purposes, (b) Administrative Agent and Borrowers shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder and (c) all amounts payable by Borrowers shall be determined as if such Lender had not sold such participation and shall be paid directly to such Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "***Participant Register***"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. No Participant shall have any direct or indirect voting rights hereunder except with respect to any event described in Section 11.4 expressly requiring the unanimous vote of all Lenders or, as applicable, all affected Lenders. Each Lender agrees to incorporate the requirements of the preceding sentence into each participation agreement which such Lender enters into with any Participant. Each Borrower agrees that if amounts outstanding hereunder are due and payable (as a result of acceleration or otherwise), each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing hereunder to the same extent as if the amount of its participating interest were owing directly to it as a Lender hereunder; provided that such right of set-off shall be subject to the obligation of each Participant to share with Lenders, and Lenders agree to share with each Participant, as provided in Section 11.21. Each Borrower agrees that each Participant shall be entitled to the benefits of Section 2.15 as if it were a Lender (provided that on the date of the participation no Participant shall be entitled to any greater compensation pursuant to Section 2.15 than would have been paid to the participating Lender on such date if no participation had been sold and that each Participant complies with Section 2.15 as if it were an Assignee).

(e) Notwithstanding anything to the contrary set forth herein, any Lender may at any time pledge or assign a security interest in all or any portion of its rights hereunder and applicable Revolving Note to secure obligations of such Lender, including any pledge or assignment to secure obligations to any Federal Reserve Bank (including as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank), and such Loans and Revolving Note(s) shall be fully transferable as provided therein, and this Section 10.1 shall not apply to any such pledge or

assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) Administrative Agent will maintain a copy of each Assignment Agreement delivered and accepted by it and register (the "***Register***") for the recordation of names and addresses of Lenders, the Pro Rata Share of each Lender and the portion of the Revolving Commitment and the Loans of each Lender and whether such Lender is the original Lender or the Assignee. All records of transfer of a Lender's interest in the Register shall be conclusive, absent manifest error, as to the ownership of the interests in such Revolving Commitment and the Loans. Administrative Agent shall not incur any liability of any kind with respect to any Lender with respect to the maintenance of the Register or for any failure to ensure that any assignment is made in accordance with the terms hereof. Upon the reasonable written request of Borrower Representative, Administrative Agent will furnish a copy of the Register to Borrower Representative or another Borrower (at the cost, if any, to Borrowers).

ARTICLE 11 MISCELLANEOUS

11.1 Financial Advisors. Each Borrower (except for Cain Brothers and Berkley Research Group, LLC) shall indemnify and hold Administrative Agent and Lenders harmless from and against any and all claims, liabilities, costs and expenses (including the reasonable fees and disbursements of legal counsel for Administrative Agent and Lenders, including the reasonable charges of internal legal counsel, whether incurred in connection with enforcing this indemnity or defending claims of third parties) of any kind in any way relating to or arising from a claim by any Person that such Person acted on behalf of such Borrower in connection with the transactions contemplated herein.

11.2 Administrative Agent's Discretion. Whenever pursuant to this Agreement or any other Loan Document, Administrative Agent exercises any right given to it to approve or disapprove, or consent or withhold consent, or any arrangement or term is to be satisfactory to Administrative Agent or is to be in Administrative Agent's discretion, the decision of Administrative Agent to approve or disapprove, to consent or withhold consent, or to decide whether arrangements or terms are satisfactory or not satisfactory, or acceptable or unacceptable or in Administrative Agent's discretion shall (except as is otherwise specifically herein provided) be in the sole discretion of Administrative Agent (unless another standard is specified herein, in which event such other standard shall be applied) and shall be final and conclusive.

11.3 Governing Law.

(a) IN ALL RESPECTS, INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THE OBLIGATIONS ARISING HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH BORROWER AND EACH OTHER CREDIT PARTY HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AND THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

(b) EACH PARTY HERETO HEREBY CONSENTS AND AGREES THAT THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION (OR IF THE BANKRUPTCY COURT DOES NOT HAVE JURISDICTION, ANY FEDERAL OR STATE COURT OF COMPETENT

JURISDICTION LOCATED IN NEW YORK, NEW YORK) TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE PARTIES HERETO, ON THE ONE HAND, AND ADMINISTRATIVE AGENT OR ANY LENDER, ON THE OTHER HAND, PERTAINING TO THE AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; PROVIDED THAT EACH PARTY ACKNOWLEDGES THAT ANY APPEALS FROM THE BANKRUPTCY COURT MAY HAVE TO BE HEARD BY A COURT OTHER THAN THE BANKRUPTCY COURT; PROVIDED, FURTHER, THAT NOTHING IN THE AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE ADMINISTRATIVE AGENT OR ANY LENDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF ADMINISTRATIVE AGENT OR ANY LENDER. EACH PARTY HERETO EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH PARTY HEREBY WAIVES ANY OBJECTION THAT SUCH PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS, AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

11.4 Modification, Waiver in Writing.

(a) **No Deemed Consent**. Administrative Agent's or Lenders' failure, at any time or times hereafter, to require strict performance by Borrowers or other Credit Parties of any provision of this Agreement shall not waive, affect or diminish any right of Administrative Agent or Lenders thereafter to demand strict compliance and performance therewith. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under any Loan Document, neither Administrative Agent nor any Lender shall be deemed to have waived any right either to require prompt payment when due of all other amounts due under the Loan Documents, or to declare an Event of Default for failure to effect prompt payment of any such other amount. None of the undertakings, agreements, warranties, covenants and representations of Borrowers and the other Credit Parties contained in this Agreement or any of the other Loan Documents and no Default or Event of Default shall be deemed to have been suspended or waived by Administrative Agent and Lenders unless such suspension or waiver is in writing signed by an officer of Administrative Agent and Required Lenders, and directed to Borrower specifying such suspension or waiver.

(b) **Amendments, Consents and Waivers Generally**. Except as otherwise expressly provided in this Agreement, (i) any consent or approval required or permitted by this Agreement or in any Loan Document to be given by the Lenders may be given, (ii) any term of this Agreement or of any other Loan Document may be amended, (iii) the performance or observance by the Borrower or any other Credit Party of any terms of this Agreement or any other Loan Document may be waived, and (iv) the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Required Lenders (or the Administrative Agent at the written direction of the Required Lenders), and, in the case of an amendment to any Loan Document, the written consent of each Credit Party which is party thereto, provided that no such amendment, modification or waiver or consent shall:.

(i) extend or increase the Revolving Commitment of any Lender without the written consent of such Lender;

(ii) extend any date scheduled for the payment of principal or interest without the written consent of each Lender directly affected thereby;

(iii) extend the Revolving Loan Termination Date without the written consent of all Lenders;

(iv) reduce the principal amount of the Loans, the rate of interest thereon (including applicable margins and interest rate floors) or any fees payable hereunder, without the consent of each Lender directly affected thereby (except for any periodic adjustments of interest rates and fees as provided for in this Agreement or any right to waive the Default Rate);

(v) release any Borrower or any Guarantor from its obligations hereunder or under any Guaranty;

(vi) release all or substantially all of the Collateral granted hereunder or under any of the Loan Documents (except as otherwise specifically permitted or provided in this Agreement);

(vii) change the payment application waterfall in Section 9.3, the definition of Required Lenders, any provision of this Section 11.4 or reduce the aggregate Pro Rata Share required to effect an amendment, modification, waiver or consent, without, in each case, the written consent of all Lenders; or

(viii) provide, or otherwise permit, the subordination of any Loan, or authorize Administrative Agent to subordinate its Lien in all or substantially all of the Collateral to a third party (except as otherwise specifically permitted or provided in this Agreement) without the written consent of each Lender.

(c) **Administrative Agent Consent**. This Agreement or any Loan Document may be amended or waived pursuant to an agreement in writing entered into by the Administrative Agent and the Borrower or other applicable Credit Parties (without the consent of any Lender) (1) to cure a defect or error, (2) to grant a new Lien for the benefit of the Administrative Agent and the Lenders or extend an existing Lien over additional property or (3) to make modifications required under Applicable Law that are not materially adverse to the Lenders. No provision of Article 12 or other provision of this Agreement affecting Administrative Agent as such shall be amended, modified or waived without the prior written consent of Administrative Agent. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Revolving Commitment of such Lender may not be increased or extended without the consent of such Defaulting Lender.

(d) **Swingline Lender Consent**. No amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Lenders otherwise required under this Section 11.4 affect the rights or duties of the Swingline Lender hereunder.

11.5 Waiver of Trial by Jury.

(a) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN

THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. ADMINISTRATIVE AGENT AND EACH LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION 11.5 IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY ANY BORROWER AND ANY OTHER CREDIT PARTY.

(b) In the event any such action or proceeding is brought or filed in any United States federal court sitting in the State of California or in any state court of the State of California, and the waiver of jury trial set forth in Section 11.5(a) hereof is determined or held to be ineffective or unenforceable, the parties agree that all actions or proceedings shall be resolved by reference to a private judge sitting without a jury, pursuant to California Code of Civil Procedure Section 638, before a mutually acceptable referee or, if the parties cannot agree, a referee selected by the Presiding Judge of the Los Angeles County, California. Such proceeding shall be conducted in Los Angeles County, California, with California rules of evidence and discovery applicable to such proceeding. In the event any actions or proceedings are to be resolved by judicial reference, any party may seek from any court having jurisdiction thereover any prejudgment order, writ or other relief and have such prejudgment order, writ or other relief enforced to the fullest extent permitted by Law notwithstanding that all actions or proceedings are otherwise subject to resolution by judicial reference.

11.6 Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, each Borrower and each other Credit Party agree not to assert, and hereby waive, in any legal action or other proceeding, any claim against Administrative Agent, any Lender or any Lender Affiliate, on any theory of liability, for special, indirect, consequential, special, exemplary or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof.

11.7 Headings/Exhibits. The section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. The Exhibits attached hereto, are hereby incorporated by reference as a part of this Agreement with the same force and effect as if set forth in the body hereof.

11.8 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement shall be prohibited by or invalid under Applicable Law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.9 Preferences. To the extent Borrowers make a payment to Administrative Agent or any Lender hereunder, or Administrative Agent or any Lender receives proceeds of any Collateral, which is in whole or part subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any Debtor Relief Law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Indebtedness or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by Administrative Agent or such Lender.

11.10 Waiver of Notice. Each Borrower and each other Credit Party hereby expressly waives the right to receive any notice from Administrative Agent or any Lender with respect to any matter, except to the extent that this Agreement or any other Loan Document specifically and expressly requires

the giving of notice by Administrative Agent or any Lender to any Borrower and except with respect to matters for which Borrowers are not, pursuant to Applicable Laws, permitted to waive the giving of notice.

11.11 Remedies of Borrowers. If a claim or adjudication is made that Administrative Agent or any Lender or any of their respective agents has acted unreasonably or unreasonably delayed acting in any case where by law or under any Loan Document, Administrative Agent, such Lender or any such agent, as the case may be, has an obligation to act reasonably or promptly, each Borrower and each other Credit Party agrees that neither Administrative Agent, any Lender nor its respective agents shall be liable for any monetary damages, and such Borrower's or Credit Party's sole remedy shall be to commence an action seeking injunctive relief or declaratory judgment. Any action or proceeding to determine whether Administrative Agent or any Lender has acted reasonably shall be determined by an action seeking declaratory judgment. Each Borrower and each other Credit Party specifically waives any claim against Administrative Agent, each Lender and its respective agents with respect to actions taken by Administrative Agent, each Lender or its respective agents on any Borrower's or Credit Party's behalf.

11.12 Prior Agreements. This Agreement and the other Loan Documents contain the entire agreement of the parties hereto and thereto in respect of the transactions contemplated hereby and thereby, and all prior agreements, understandings and negotiations among or between such parties, whether oral or written, are superseded by the terms of this Agreement and the other Loan Documents.

11.13 Offsets, Counterclaims and Defenses. Each Borrower and each other Credit Party hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Administrative Agent, any Lender or their respective agents or otherwise offset any obligations to make payments required under the Loan Documents. Any Assignee of Administrative Agent's or any Lender's interest in and to the Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which such Borrower or such other Credit Party may otherwise have against any assignor of such documents, and no such offset, counterclaim or defense shall be interposed or asserted by such Borrower or such other Credit Party in any action or proceeding brought by any such Assignee upon such documents, and any such right to interpose or assert any such offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by such Borrower or such other Credit Party.

11.14 Publicity. Except as required in connection with the Bankruptcy Cases, neither any Borrower nor any other Credit Party shall, whether now or in the future issue. any press releases or other public disclosure using the name "Ally Bank", the name of any other Lender or the name of any of their respective Lender Affiliates or referring to this Agreement or the other Loan Documents without at least five (5) Business Days' prior notice to Administrative Agent (and in the case of a disclosure of a Lender's name, such Lender) and without the prior written consent of Administrative Agent (and in the case of a disclosure of a Lender's name, such Lender) unless (and only to the extent that) such Borrower or such other Credit Party is required to do so under Applicable Law and then, in any event, such Borrower or such other Credit Party will consult with Administrative Agent (and in the case of a disclosure of a Lender's name, such Lender) before issuing such press release or other public disclosure. Each Borrower and each other Credit Party expressly consents to and authorizes the publication by Administrative Agent and Lenders of a summary description of the transaction(s) contemplated by this Agreement in any format (including tombstones, deal listings or similar advertising materials), which may be published in one or more of financial or other industry periodicals, newspapers, reporting services, trade organizations, written promotional materials, web site, or otherwise. In addition, each Borrower or each other Credit Party expressly consents to and authorizes Administrative Agent and Lenders to provide to financial or other industry periodicals, newspapers, reporting services or trade organizations information necessary

and customary for inclusion of the transaction(s) in league table measurements, including the aggregate dollar value of the transaction.

11.15 Indemnification; Expenses.

(a) Expenses. Each Borrower and each other Credit Party shall reimburse Administrative Agent (or any Lender, as applicable) upon receipt of notice for all Expenses. Any Expenses due and payable by any Borrower or any other Credit Party hereunder which are not paid within five (5) days after demand shall accrue interest at the Default Rate and may be paid by Administrative Agent, in its sole discretion, pursuant to Section 2.8.

(b) Indemnity. Each Borrower and each other Credit Party shall defend, indemnify and hold harmless Administrative Agent, each Lender, each Lender Affiliate, each of their respective directors, officers, partners, members, shareholders, participants, employees, professionals and agents, and each of their respective successors and assigns (each, an "***Indemnified Party***"), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the fees and disbursements of counsel for an Indemnified Party in connection with any investigative, administrative or judicial proceeding commenced or threatened, court costs and costs of appeal at all appellate levels, investigation and laboratory fees, consultant fees and litigation expenses), that may be imposed on, incurred by, or asserted against any Indemnified Party (collectively, the "***Indemnified Liabilities***") arising out of or related to (i) the execution, enforcement, performance, or administration of this Agreement, any of the other Loan Documents, the transactions contemplated hereby; (ii) any breach by any Borrower, any other Credit Party or any Affiliate thereof of their obligations under, or any misrepresentation by any of the foregoing contained in, any Loan Document; (iii) any Environmental Release or the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release, or threatened release of any Hazardous Materials on, from or affecting any Healthcare Facility; (iv) any violation of any Laws by Borrower, any other Credit Party or any Affiliate thereof and (iv) any other mater arising out of or related to the Revolving Loans, any Credit Party, any Healthcare Facility or any Collateral; provided, however, that Borrowers shall not have any obligation to any Indemnified Party hereunder to the extent that it is judicially determined by a court of competent jurisdiction in a final, non-appealable judgment that such Indemnified Liabilities are the result of the gross negligence or willful misconduct of such Indemnified Party. Any amounts payable to any Indemnified Party by reason of the application of this Section 11.15 shall be payable on demand and shall bear interest at the Default Rate from the date loss or damage is sustained by any Indemnified Party until paid.

(c) Each Borrower and each other Credit Party for itself and all endorsers, guarantors and sureties and their heirs, legal representatives, successors and assigns, hereby further specifically waives any rights that it may have under Section 1542 of the California Civil Code (to the extent applicable), which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR," and further waives any similar rights under applicable Laws.

11.16 Survival. All obligations, covenants, agreements, representations, warranties, waivers and indemnities made by any Borrower in any Loan Document shall survive the execution and delivery of the Loan Documents, the Closing, the making of the Loans and any termination of this Agreement until all Obligations are fully performed and indefeasibly paid in full in cash. The obligations and provisions of Sections 2.2(k), 2.14, 2.15, 5.13, 9.9, 11.1, 11.3, 11.5, 11.6, 11.8, 11.9, 11.11, 11.13, 11.14, 11.15,

11.16, 11.17, 11.20, 11.27, 12.3, 12.6, 12.7 and 12.13 shall survive the termination of this Agreement and the other Loan Documents and any payment, in full or in part, of the Obligations.

11.17 No Usury. If Applicable Law is ever judicially interpreted so as to render usurious any amount called for hereunder or any other Loan Document, or contracted for, charged, taken, reserved or received with respect to the Obligations, or if Administrative Agent's and Lenders' exercise of the option to accelerate the maturity of the Loans or any prepayment by any Borrower results in Borrowers having paid any interest in excess of that permitted by Applicable Law, then it is each Borrower's, Administrative Agent's and Lenders' express intent that all excess amounts theretofore collected by Administrative Agent or any Lender shall be credited against the unpaid principal amount of the Obligations (or, if the Obligations have been or would thereby be paid in full, refunded to Borrowers), and the provisions of the Loan Documents immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with Applicable Law, but so as to permit the recovery of the fullest amount otherwise called for thereunder. All sums paid or agreed to be paid to Lenders for the use, forbearance or detention of the Loans shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loans until payment in full so that the rate or amount of interest on account of the Loans does not exceed the maximum lawful rate from time to time in effect and applicable to the Loans for so long as the Loans are outstanding. Notwithstanding anything to the contrary contained in any Loan Document, it is not the intention of Administrative Agent or any Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

11.18 Conflict; Construction of Documents. In the event of any conflict between the provisions of this Agreement and any of the other Loan Documents, the provisions of this Agreement shall control. The parties hereto acknowledge that each is represented by separate counsel in connection with the negotiation and drafting of the Loan Documents and that the Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted them.

11.19 No Third Party Beneficiaries. The Loan Documents are solely for the benefit of Administrative Agent, Lenders and Credit Parties and nothing contained in any Loan Document shall be deemed to confer upon any Person (other than Administrative Agent, Lenders, Credit Parties, Indemnified Parties under Section 11.15 and Indemnified Agent Parties under Section 12.7, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, Affiliates of each of Administrative Agent and Lenders) any right to insist upon or to enforce the performance or observance of any of the obligations contained therein.

11.20 Assignment. The Loans, any Notes, the Loan Documents and/or any Lender's rights, title, obligations and interests therein may be assigned by such Lender and any of its successors and assigns in accordance with the terms and conditions set forth in Article 10. Neither any Borrower nor any other Credit Party may assign its rights, title, interests or obligations hereunder or under any of the other Loan Documents.

11.21 Set-Off. Subject in all events to Section 12.13 hereunder, if an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, after obtaining the prior written consent of the Administrative Agent, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of any Borrower or any other Credit Party against any and all of the obligations of such Borrower or such other Credit Party now or hereafter existing hereunder or any other Loan Document to such

Lender, irrespective of whether or not such Lender shall have made any demand hereunder or any other Loan Document and although such obligations of such Borrower or such other Credit Party may be contingent or unmatured or are owed to a branch or office or Affiliate of such Lender different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness; provided, that if any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 12.15 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender and their respective Affiliates under this Section 11.21 are in addition to other rights and remedies (including other rights of setoff) that such Lender or their respective Affiliates may have. Each Lender agrees to notify the Borrower Representative and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

11.22 Confidentiality. Except as required in connection with the Bankruptcy Cases, each Credit Party agrees (i) not to transmit or disclose provisions of any Loan Document to any Person (other than to Borrowers' advisors and officers on a need-to-know basis (as reasonably determined by the applicable Credit Party) or as otherwise may be required by Law) without the Administrative Agent's prior written consent and (ii) to inform all Persons of the confidential nature of the Loan Documents and to direct them not to disclose the same to any other Person and to require each of them to be bound by these provisions.

11.23 Patriot Act Compliance. Each Lender that is subject to the Patriot Act (as defined below) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies each Credit Party that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies each Credit Party, which information includes the name, address and tax identification number of each Credit Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Credit Party in accordance with the Patriot Act. The Borrowers shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act.

11.24 [Reserved].

11.25 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopier, facsimile machine, portable document format ("***PDF***") or other electronic means shall be as effective as delivery of a manually executed counterpart of this Agreement. The effectiveness of any such documents and signatures shall, subject to Applicable Laws, have the same force and effect as manually signed originals and shall be binding on Borrowers, Administrative Agent and Lenders. Administrative Agent may also require that any such documents and signatures be confirmed by a manually signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature. No party may raise the use of a telecopier, facsimile machine, PDF or other electronic means, or the fact that any signature was transmitted through the use of a telecopier, facsimile machine, PDF or other electronic means, as a defense to the enforcement of this Agreement.

11.26 Borrower Representative.

(a) Each Credit Party hereby irrevocably appoints and constitutes Borrower Representative as its agent to (i) request and receive the proceeds of advances in respect of the Loans (and to otherwise act on behalf of such Credit Party pursuant to this Agreement and the other Loan Documents) from Administrative Agent and Lenders in the name or on behalf of each such Credit Party, (ii) receive statements of account and all other notices from Administrative Agent or any Lender, as applicable, with respect to the Obligations or otherwise under or in connection with this Agreement and the other Loan Documents, (iii) execute and deliver Borrowing Base Certificates, Compliance Certificates and all other notices, certificates and documents to be executed and/or delivered by any Credit Party hereunder or the other Loan Documents; and (iv) otherwise act on behalf of such Credit Party pursuant to this Agreement and the other Loan Documents.

(b) The authorizations contained in this Section 11.26 are coupled with an interest and shall be irrevocable, and Administrative Agent and Lenders may rely on any notice, request, information supplied by Borrower Representative, every document executed by Borrower Representative, every agreement made by Borrower Representative or other action taken by Borrower Representative in respect of any Borrower or other Credit Party as if the same were supplied, made or taken by such Borrower or such other Credit Party. Without limiting the generality of the foregoing, the failure of one or more Borrowers or other Credit Parties to join in the execution of any writing in connection herewith shall not relieve any Borrower or other Credit Party from obligations in respect of such writing. No purported termination of the appointment of Borrower Representative as agent shall be effective without the prior written consent of Administrative Agent.

11.27 Joint and Several.

(a) Each Borrower shall be jointly and severally liable for all of the Obligations of Borrowers hereunder, regardless of which of Borrowers actually receives the proceeds or other benefits of the Loans or other extensions of credit hereunder or the manner in which Borrowers, the Administrative Agent or the Lenders account therefor in their respective books and records.

(b) Each Borrower is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Administrative Agent and Lenders hereunder, for the mutual benefit, directly and indirectly, of each Borrower and in consideration of the undertakings of the other Borrowers to accept joint and several liability for the Obligations.

(c) To the extent that Applicable Law otherwise would render the full amount of the joint and several obligations of any Borrower hereunder and under the other Loan Documents invalid or unenforceable, such Person's obligations hereunder and under the other Loan Documents shall be limited to the maximum amount which does not result in such invalidity or unenforceability; provided, however, that each Borrower's obligations hereunder and under the other Loan Documents shall be presumptively valid and enforceable to their fullest extent in accordance with the terms hereof or thereof, as if this Section 11.27 were not a part of this Agreement.

(d) To the extent that any Borrower shall make a payment under this Section 11.27 of all or any of the Obligations (as used in this clause (g), a "***Joint Liability Payment***") which, taking into account all other Joint Liability Payments then previously or concurrently made by any other Borrower, exceeds the amount that such Borrower would otherwise have paid if each Borrower had paid the aggregate Obligations satisfied by such Joint Liability Payments in the same proportion that such Person's "Allocable Amount" (as defined below) (as determined immediately prior to such Joint Liability

Payments) bore to the aggregate Allocable Amounts of each of Borrowers as determined immediately prior to the making of such Joint Liability Payments, then, following indefeasible payment in full in cash of the Obligations (other than contingent obligations that survive the repayment in full of the Loans and the termination of the Loan Documents and for which no claim has been asserted) and termination of the Revolving Commitment, such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Borrower for the amount of such excess, *pro rata* based upon their respective Allocable Amounts in effect immediately prior to such Joint Liability Payments. As of any date of determination, the "Allocable Amount" of any Borrower shall be equal to the maximum amount of the claim which could then be recovered from such Borrower under this Section 11.27 without rendering such claim voidable or avoidable under §548 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(e) Each Borrower assumes responsibility for keeping itself informed of the financial condition of each other Borrower, and any and all endorsers and/or guarantors of any instrument or document evidencing all or any part of such other Borrower's Obligations, and of all other circumstances bearing upon the risk of nonpayment by such other Borrower of their Obligations and each Borrower agrees that neither Administrative Agent nor any Lender has any duty to advise such Borrower of information known to Administrative Agent or any Lender regarding such condition or any such circumstances or to undertake any investigation not a part of its regular business routine. If Administrative Agent or any Lender, in its sole discretion, undertakes at any time or from time to time to provide any such information to a Borrower, Administrative Agent or such Lender shall not be under any obligation to update any such information or to provide any such information to such Borrower or any other Person on any subsequent occasion.

(f) Administrative Agent and Lenders are hereby authorized, without notice or demand and without affecting the liability of a Borrower hereunder, to, at any time and from time to time, (A) renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to, Obligations incurred by any Borrower or other Credit Party, otherwise modify, amend or change the terms of any promissory note or other agreement, document or instrument now or hereafter executed by any Borrower or other Credit Party and delivered to Administrative Agent or any Lender; (B) accept partial payments on an Obligation incurred by any Borrower; (C) take and hold security or collateral for the payment of an Obligation incurred by any Borrower hereunder or for the payment of any guaranties of an Obligation incurred by any Borrower or other liabilities of any Borrower and exchange, enforce, waive and release any such security or collateral; (D) apply such security or collateral and direct the order or manner of sale thereof as Administrative Agent may determine in its sole discretion; and (E) settle, release, compromise, collect or otherwise liquidate an Obligation incurred by any Borrower and any security or collateral therefor in any manner, without affecting or impairing the obligations of any other Borrower. Administrative Agent shall have the exclusive right to determine the time and manner of application of any payments or credits, whether received from a Borrower or any other source, and such determination shall be binding on each Borrower. All such payments and credits may be applied, reversed and reapplied, in whole or in part, to any of an Obligation incurred by any Borrower as Administrative Agent shall determine in their sole discretion without affecting the validity or enforceability of the Obligations of the other Borrowers.

(g) Each Borrower hereby agrees that, except as hereinafter provided, its obligations hereunder shall be unconditional, irrespective of and each Borrower hereby waives notice of: (A) the absence of any attempt to collect an Obligation incurred by a Borrower from any Borrower or any guarantor or other action to enforce the same; (B) the waiver or consent by Administrative Agent and Lenders with respect to any provision of any instrument evidencing an Obligation incurred by any other Borrower, or any part thereof, or any other agreement heretofore, now or hereafter executed by any other

Borrower and delivered to Administrative Agent or any Lender; (C) failure by Administrative Agent to take any steps to perfect and maintain its security interest in, or to preserve its rights to, any security or collateral for an Obligation incurred by any Borrower; (D) Administrative Agent's or any Lender's election in any of the Bankruptcy Cases of the application of §1111(b)(2) of the Bankruptcy Code; (E) any other borrowing or grant of a security interest by a Borrower to any third party in the Bankruptcy Cases; (F) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of Administrative Agent's claim(s) for repayment of any of the Obligations; or (G) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

(h) This Section 11.27 is intended only to define the relative rights of Borrowers and nothing set forth in this Section 11.27 is intended to or shall impair the obligations of Borrowers, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement or any other Loan Documents. Nothing contained in this Section 11.27 shall limit the liability of any Borrower to pay the Loans made directly or indirectly to such Borrower and accrued interest, fees and Expenses with respect thereto for which such Borrower shall be primarily liable.

(i) No payment made by or for the account of any Borrower, including (A) a payment made by such Borrower on behalf of an Obligation of another Borrower or (B) a payment made by any other person under any guaranty, shall entitle such Borrower, by subrogation or otherwise, to any payment from such other Borrower or from or out of property of such other Borrower and such Borrower shall not exercise any right or remedy against such other Borrower or any property of such other Borrower by reason of any performance of such Borrower of its joint and several obligations hereunder until the Obligations (other than contingent obligations that survive the repayment in full of the Loans and the termination of the Loan Documents and for which no claim has been asserted) are paid in full.

(j) Each Borrower hereby agrees that after the occurrence and during the continuance of any Default or Event of Default, such Borrower will not demand, sue for or otherwise attempt to collect any indebtedness of any other Borrower owing to such Borrower until the Obligations (other than contingent obligations that survive the repayment in full of the Loans and the termination of the Loan Documents and for which no claim has been asserted) are paid in full. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by such Borrower as trustee for Administrative Agent, and such Borrower shall deliver any such amounts to Administrative Agent for application to the Obligations in accordance with Section 9.3.

(k) Any notice given by Borrower Representative hereunder shall constitute and be deemed to be notice given by all Borrowers, jointly and severally. Notice given by Administrative Agent or any Lender to Borrower Representative hereunder or pursuant to any other Loan Documents in accordance with the terms hereof or thereof shall constitute notice to all Borrowers. The knowledge of any Borrower shall be imputed to all Borrowers and any consent by Borrower Representative or any Borrower shall constitute the consent of and shall bind all Borrowers.

(l) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of each Borrower to which such contribution and indemnification is owing. The rights of any indemnifying Borrower against the other Borrowers under this Section shall be exercisable upon the full and indefeasible payment of the Obligations (other than contingent obligations that survive the repayment in full of the Loans and the termination of the Loan Documents and for which no claim has been asserted) and the termination of the Revolving Facility.

11.28 Release of Claims. Each Borrower and each other Credit Party does hereby (i) waive any claim in tort, contract or otherwise which such Borrower or such other Credit Party may have against Administrative Agent, any Lender, any of their respective Affiliates or their respective officers, directors, agents, or employees (collectively, "***Lender Agents***") which may arise out of the relationship between any such Borrower or such other Credit Party and any such Person prior to the Closing Date; and (ii) absolutely and unconditionally releases and discharges the Administrative Agent, each Lender, each of their respective Affiliates and the Lender Agents from any and all claims, causes of action, losses, damages or expenses which may arise out of any relationship between it and the Administrative Agent, such Lender, any such Affiliate or the Lender Agents which such Borrower or such other Credit Party may have as of the Closing Date. Each Borrower and each other Credit Party acknowledges that it makes this waiver and release knowingly, voluntarily and only after considering the ramifications of this waiver and release with its legal counsel.

11.29 Acting Through Agents. In exercising any rights under the Loan Documents or taking any actions provided for therein, Administrative Agent may act through its employees, agents or independent contractors as authorized by Administrative Agent. Each Borrower shall authorize its accounting firm and/or service bureaus to provide Administrative Agent with such information as is requested by Administrative Agent in accordance with this Agreement. Each Borrower authorizes Administrative Agent to contact directly any such accounting firm and/or service bureaus to obtain such information.

ARTICLE 12 AGENCY PROVISIONS; SETTLEMENT

Administrative Agent, Lenders, Borrowers and each other Credit Party agree that, except for the rights expressly granted to Borrowers under Section 12.9, no Borrower or other Credit Party shall be a party to the agreements contained in this Article 12. Without limitation of the foregoing, Administrative Agent, Lenders, Borrowers and each other Credit Party agree that in no event shall Borrowers or other Credit Parties be required to seek comment from, deliver notices to or otherwise deal with any Lender other than Administrative Agent (except as otherwise specifically stated in this Agreement). No Borrower or other Credit Party shall have any benefits or rights as a third party beneficiary of any term or condition contained in this Article 12.

12.1 Appointment and Authorization.

(a) **Generally**. Each Lender hereby irrevocably (subject to Section 12.9) appoints, designates and authorizes Administrative Agent to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorized Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, Administrative Agent shall not have any duty or responsibility except those expressly set forth herein, nor shall Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or Participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Administrative Agent. The duties of Administrative Agent shall be mechanical and administrative in nature. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in other Loan Documents with reference to Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any Applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) **Specific Authorizations**. Except as otherwise specified in this Agreement, Administrative Agent shall have the right to exercise its sole and absolute discretion to act or not to act under the Loan Documents. Without limiting the generality of the foregoing, Administrative Agent shall have the sole and exclusive right and authority to:

A. act as the disbursing and collecting agent for the Lenders with respect to all payments and collections arising in connection with this Agreement and the Loan Documents relating to the Collateral securing the Loans;

B. make any subsequent advances to the Borrower for the purposes described in this Agreement;

C. approve or disapprove any form of real property lease agreement to which the Borrowers or other Credit Parties are subject;

D. execute and deliver each Collateral Document and accept delivery of each such agreement delivered by the Credit Parties;

E. act as collateral agent for the Lenders for purposes of the perfection of all security interests and Liens created by such agreements and all other purposes stated therein;

F. take such action as is necessary or desirable to maintain the perfection and priority of the security interest and Liens created or purported to be created by the Loan Documents;

G. release or assign (without recourse, representation or warranty, other than representations as to title and as to no encumbrances by Administrative Agent) any or all Collateral upon payment and satisfaction in full of the Loans; and

H. enter into any so-called "pre-negotiation agreement" with Borrower or any other Credit Party (provided that as a condition precedent to such authority, all Lenders have been given a reasonable opportunity to (i) comment on the proposed form of pre-negotiation agreement and (ii) discuss such comments with Administrative Agent).

12.2 Delegation of Duties. Administrative Agent may execute any of its duties hereunder or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of legal counsel and other consultants, independent public accountants or experts concerning all matters pertaining to such duties. Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct as finally determined in a non-appealable judicial proceeding.

12.3 Exculpation of Administrative Agent. None of Administrative Agent nor any of its directors, officers, employees, Affiliates or agents shall (a) be liable to any Lender or any other Person for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except to the extent resulting from its own gross negligence or willful misconduct in connection with its duties expressly set forth herein as determined by a final, nonappealable judgment by a court of competent jurisdiction), or (b) be responsible in any manner to any Lender or Participant for any recital, statement, representation or warranty made by any Borrower, any Credit Party or any of their Affiliates, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Administrative Agent under or in connection with, this

Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document (or the creation, perfection or priority of any Lien or security interest therein), or for any failure of any Borrower, any Credit Party or any other party to any Loan Document to perform its obligations and liabilities hereunder or thereunder, or be responsible for or have any duty to ascertain or verify the satisfaction of any conditions specified in this Agreement or any other Loan Document. Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to (i) the performance or observance of any of the terms, provisions or conditions of this Agreement or any of the other Loan Documents, (ii) the financial condition of any Credit Party, (iii) the contents of any certificate, report or other document delivered hereunder or any other Loan Document or in connection herewith or therewith, (iv) the existence or possible existence of any Default or Event of Default, or (v) the satisfaction of any condition set forth in Section 3 of this Agreement or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to Administrative Agent.

12.4 Reliance by Administrative Agent. Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, electronic mail message, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including legal counsel to Borrowers), independent accountants and other experts selected by Administrative Agent. Administrative Agent shall be fully justified in failing or refusing to take any action hereunder or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders or such other number or percentage of Lenders as shall be required elsewhere in this Agreement as it deems appropriate and, if it so requests, confirmation from Lenders of their obligation to indemnify Administrative Agent against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or any other Loan Document in accordance with a request or consent of the Required Lenders or such other number or percentage of Lenders as shall be required elsewhere in this Agreement and such request and any action taken or failure to act pursuant thereto shall be binding upon each Lender. For purposes of determining compliance with the conditions specified in Section 3.2, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless Administrative Agent shall have received written notice from such Lender prior to the Closing Date specifying its objection thereto.

12.5 Notice of Default. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to Administrative Agent for the account of Lenders, unless Administrative Agent shall have received written notice from a Lender or a Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Administrative Agent will notify Lenders of its receipt of any such notice. Administrative Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Section 9.5; provided that unless and until Administrative Agent has received any such request, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of Lenders.

12.6 Credit Decision. Each Lender acknowledges that Administrative Agent has not made any representation or warranty to it, and that no act by Administrative Agent hereafter taken, including any consent and acceptance of any assignment or review of the affairs of Borrowers or the other Credit

Parties, shall be deemed to constitute any representation or warranty by Administrative Agent to any Lender as to any matter, including whether Administrative Agent has disclosed material information in its possession. Each Lender represents to Administrative Agent that it has, independently and without reliance upon Administrative Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers and the other Credit Parties, and made its own decision to enter into this Agreement and to extend credit to Borrowers hereunder. Each Lender also represents that it will, independently and without reliance upon Administrative Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action hereunder and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers and the other Credit Parties. Except for notices, reports and other documents expressly herein required to be furnished to Lenders by Administrative Agent, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial or other condition or creditworthiness of Borrowers and the other Credit Parties which may come into the possession of Administrative Agent. Each Lender hereby acknowledges and agrees that it is not entitled to rely upon any notice, report or other document furnished by the Administrative Agent from time to time in connection with this Agreement and the other Loan Documents and the transactions contemplated hereby, and hereby release any and all claims it may have against Administrative Agent or any agent thereof as a result of any reliance by any Lender in any such notice, report, document or other information furnished by Administrative Agent.

12.7 Indemnification. Whether or not the transactions contemplated hereby are consummated, each Lender shall indemnify, defend and hold harmless upon demand Administrative Agent and its directors, officers, employees, Affiliates and agents (each an "***Indemnified Agent Party***") (to the extent not reimbursed by or on behalf of any Borrower and without limiting the obligation of any Borrower to do so), according to its applicable Pro Rata Share, from and against any and all Indemnified Liabilities (as defined in Section 11.15), provided, that no Lender shall be liable for any payment to any such Person of any portion of the Indemnified Liabilities to the extent determined by a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the applicable Indemnified Agent Party's own gross negligence or willful misconduct. No action taken in accordance with the directions of Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 12.7. Without limitation of the foregoing, each Lender shall reimburse Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including all Expenses) incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that Administrative Agent is not reimbursed for such expenses by or on behalf of Borrowers. If any indemnity furnished to Administrative Agent for any purpose shall, in the reasonable, good faith opinion of Administrative Agent, be insufficient or become impaired, Administrative Agent may call for additional reasonable indemnity and cease, or not commence, to do the acts indemnified against even if so directed by Required Lenders until such additional reasonable indemnity is furnished. The undertaking in this Section 12.7 shall survive repayment of the Loans and other liabilities, cancellation of any promissory notes, any foreclosure under, or modification, release or discharge of, any or all of the Loan Documents, termination of this Agreement and the resignation or replacement of Administrative Agent.

12.8 Administrative Agent in Individual Capacity. Ally Bank and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with any

Credit Party and its Affiliates as though Ally Bank were not Administrative Agent hereunder and without notice to or consent of any Lender; provided, however, if Ally Bank acquires equity interests in any Credit Party or any Affiliate of any Credit Party and such equity interests are not publicly traded, Ally Bank will provide written notice to the Lenders. Each Lender acknowledges that, pursuant to such activities, Ally Bank or its Affiliates may receive information regarding a Credit Party or its Affiliates (including information that may be subject to confidentiality obligations in favor of such Credit Party or such Affiliates) and acknowledge that Administrative Agent shall be under no obligation to provide such information to them. With respect to its portion of the Loans, Ally Bank and its Affiliates shall have the same rights and powers hereunder as any other Lender and may exercise the same as though Ally Bank were not Administrative Agent, and the terms "Lender" and "Lenders" include Ally Bank and its Affiliates, to the extent applicable, in their individual capacities.

12.9 Successor Administrative Agent. Administrative Agent may resign as Administrative Agent upon thirty (30) days' notice to Lenders. If Administrative Agent resigns hereunder, Required Lenders shall, with (so long as no Default or Event of Default exists) the consent of Borrowers (which shall not be unreasonably withheld, conditioned or delayed), appoint from among Lenders a successor agent for Lenders. Notwithstanding the immediately foregoing sentence, if no successor agent is appointed prior to the effective date of the resignation of Administrative Agent, Administrative Agent may appoint, after consulting with Lenders and Borrowers, a successor agent from among Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to and become vested with all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 12 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent hereunder. If no successor agent has accepted appointment as Administrative Agent by the date which is thirty (30) days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and Lenders shall perform all of the duties of Administrative Agent hereunder until such time, if any, as Required Lenders appoint a successor agent as provided for above.

12.10 Collateral Matters; Restriction on Lenders. (a) Each Lender authorizes and directs Administrative Agent to enter into the other Loan Documents for the benefit of Administrative Agent and Lenders. Each Lender hereby agrees that, except as otherwise set forth herein, any action taken by Administrative Agent or Required Lenders in accordance with the provisions of this Agreement or the other Loan Documents, and the exercise by the Administrative Agent or Required Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all Lenders. Administrative Agent is hereby authorized on behalf of all Lenders, without the necessity of any notice to or further consent from any Lender, to take any action with respect to any Collateral and any of the other collateral pursuant to Loan Documents that may be necessary to perfect and maintain perfected the Liens upon the Collateral and the other collateral pursuant to the other Loan Documents. Lenders irrevocably authorize Administrative Agent, at its option and in its discretion, (i) to release any Lien granted to or held by Administrative Agent hereunder and any other Loan Document (x) upon the termination of this Agreement in accordance with Section 2.17; (y) constituting property sold or to be sold or disposed of, financed or refinanced, as part of or in connection with any sale, disposition, financing or refinancing which is expressly permitted by this Agreement at any time; or (z) subject to Section 11.4, if approved, authorized or ratified in writing by Required Lenders; or (ii) to subordinate its interest in any Collateral to any holder of a Lien on such Collateral which is expressly permitted by this Agreement. Upon request by Administrative Agent at any time, Lenders will promptly confirm in writing Administrative Agent's authority to release, or subordinate its interest in, particular types or items of Collateral pursuant to this Section 12.10. Administrative Agent and each

Lender hereby appoint each other Lender as agent for the purpose of perfecting Administrative Agent's security interest in assets and Collateral (and other collateral pursuant to other Loan Documents) which, in accordance with the Uniform Commercial Code in any applicable jurisdiction, can be perfected by possession or control. Should any Lender (other than Administrative Agent) obtain possession or control of any such assets or Collateral, such Lender shall promptly notify Administrative Agent thereof in writing, and, promptly upon Administrative Agent's written request therefor, shall deliver such assets or Collateral to Administrative Agent or in accordance with Administrative Agent's instructions or transfer control to Administrative Agent in accordance with Administrative Agent's instructions. Each Lender agrees that, except as otherwise expressly provided herein, it will not have any right individually to enforce or seek to enforce this Agreement or any other Loan Document or to realize upon any Collateral for the liabilities unless instructed in writing to do so by Administrative Agent, it being understood and agreed that such rights and remedies may be exercised only by Administrative Agent.

(b) Each Lender agrees that it shall not, without the express written consent of Administrative Agent, and shall, upon the written request of Administrative Agent (to the extent it is lawfully entitled to do so), set off against the liabilities, any amounts owing by such Lender to a Credit Party or any deposit accounts of any Credit Party now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Administrative Agent, take or cause to be taken, any action, including the a commencement of any legal or equitable proceedings to foreclose any loan or otherwise enforce any security interest in any of the Collateral or to enforce all or any part of this Agreement or the other Loan Documents. All enforcement actions hereunder and the other Loan Documents against the Credit Parties or any third party with respect to the liabilities or the Collateral may only be taken by Administrative Agent (at the direction of the Required Lenders or as otherwise permitted in this Agreement) or by its agents at the direction of Administrative Agent.

(c) If any Lender, directly or through an Affiliate or branch office thereof, obtains any payment of any Obligation of any Credit Party (whether voluntary, involuntary or through the exercise of any right of setoff or the receipt of any Collateral or "proceeds" (as defined under the applicable UCC) of Collateral) other than from the Administrative Agent in accordance with this Agreement and such payment exceeds the amount such Lender would have been entitled to receive if all payments had gone to, and been distributed by, Administrative Agent in accordance with the provisions of the Loan Documents, such Lender shall purchase for cash from other Lenders such participations in their Obligations as necessary for such Lender to share such excess payment with such Lenders to ensure such payment is applied as though it had been received by Administrative Agent and applied in accordance with this Agreement (or, if such application would then be at the discretion of the Borrowers, applied to repay the Obligations in accordance herewith); provided, however, that (a) if such payment is rescinded or otherwise recovered from such Lender in whole or in part, such purchase shall be rescinded and the purchase price therefor shall be returned to such Lender without interest and (b) such Lender shall, to the fullest extent permitted by Applicable Law, be able to exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the applicable Credit Party in the amount of such participation.

12.11 Administrative Agent May File Proofs of Claim. In case of the pendency of any Insolvency Proceeding relative to any Borrower or other Credit Party, Administrative Agent (irrespective of whether the principal of the Loans shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether Administrative Agent shall have made any demand on a Borrower or other Credit Party) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, and all other liabilities that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of Lenders and Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of Lenders and Administrative Agent and their respective agents and attorneys and all other amounts due Lenders and Administrative Agent hereunder) allowed in such judicial proceedings; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to Administrative Agent and, if Administrative Agent shall consent to the making of such payments directly to Lenders, to pay to Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of Administrative Agent and its agents and attorneys, and any other amounts due Administrative Agent hereunder.

Nothing contained herein shall be deemed to authorize Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, affecting the liabilities or to authorize Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

12.12 Return of Payments.

(a) If Administrative Agent pays an amount to a Lender hereunder in the belief or expectation that a related payment has been or will be received by Administrative Agent from any Borrower and such related payment is not received by Administrative Agent, or if Administrative Agent overpays an amount to a Lender hereunder or otherwise in error, then Administrative Agent shall be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind, together with interest accruing on a daily basis at the Federal Funds Effective Rate. If Administrative Agent determines at any time that any amount received by Administrative Agent hereunder must be returned to Borrowers or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Administrative Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender shall repay to Administrative Agent on demand any portion of such amount that Administrative Agent has distributed to such Lender, together with interest at such rate, if any, as Administrative Agent is required to pay to Borrowers or such other Person, without setoff, counterclaim or deduction of any kind.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of the making of any Loan that such Lender will not make available to the Administrative Agent such Lender's share of such Loan, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.3(b) and may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. If a Lender has not in fact made its share of the applicable Loan available to Administrative Agent, then the applicable Lender agrees to pay to Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the applicable Borrower to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. The obligations of each Lender hereunder are in addition to

any obligation of Borrowers to make any repayment to Lender (including those provided in Section 2.3(b)).

12.13 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its Pro Rata Share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; provided that:

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(b) the provisions of this Section 12.13 shall not be construed to apply to (x) any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any Assignee or Participant.

Each Credit Party consents to the foregoing and agrees, to the extent it may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Borrower and each other Credit Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of each Borrower and each other Credit Party in the amount of such participation.

12.14 Settlements; Payments. The Outstanding Amount may fluctuate from day to day through Administrative Agent's disbursement of funds to, and receipt of funds from, Borrowers. In order to minimize the frequency of transfers of funds between Administrative Agent and each Lender, repayments of Loans may, at the election of Administrative Agent, be settled according to the procedures set forth in this Section 12.14. Notwithstanding the procedures set forth in this Section 12.14, each Lender's obligation to fund its portion of any advances made by Administrative Agent to Borrowers will commence on the date such advances are made by Administrative Agent. Such payments will be made by such Lender without set-off, counterclaim or reduction of any kind.

(a) At least once each calendar week, or more frequently if Administrative Agent so elects (each such day being a "***Settlement Date***"), Administrative Agent will advise each Lender by 1:00 p.m. (New York City time) on a Business Day by telephone or written notice in accordance with this Agreement of the amount of each such Lender's Pro Rata Share of the Outstanding Amount. If payments are necessary to adjust the amount of such Lender's share of the Outstanding Amount to such Lender's Pro Rata Share of the Outstanding Amount, the party from which such payment is due will pay the other party, in same day funds, by wire transfer to the other's account, not later than 1:00 p.m. (New York City time) on the Business Day immediately following the Settlement Date (provided that if Administrative Agent gives such notice at or prior to 1:00 p.m. (New York City time) on the Settlement Date, such funding shall be made on the Settlement Date).

(b) On the first Business Day of each month (each, an "***Interest Settlement Date***"), Administrative Agent will advise each Lender by written notice in accordance with this Agreement of the amount of interest and fees charged to and collected from Borrowers for the preceding month in respect of the Loans. Provided that such Lender is not then a Defaulting Lender, Administrative Agent will pay to such Lender, by wire transfer to such Lender's account (as specified by such Lender in accordance with this Agreement) such Lender's Pro Rata Share of such interest and fees not later than the next Business Day following the Interest Settlement Date.

12.15 Defaulting Lender.

(a) **Defaulting Lender Adjustments**. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) Any amount payable to a Defaulting Lender hereunder (whether on account of principal, interest, fees or otherwise) shall, in lieu of being distributed to such Defaulting Lender, be retained by Administrative Agent in a segregated account and, subject to any Applicable Law, be applied at such time or times as may be determined by Administrative Agent (i) first, to the payment of any amounts owing by such Defaulting Lender to Administrative Agent hereunder, (ii) second, if so determined by Administrative Agent and Borrowers, held in such account as cash collateral for future funding obligations (if any) of the Defaulting Lender hereunder, (iii) third, pro rata, to the payment of any amounts owing to Borrowers, Administrative Agent or the Lenders as a result of any judgment of a court of competent jurisdiction obtained by Borrowers, Administrative Agent or any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations hereunder, and (iv) fourth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided, that if such payment is a prepayment of the principal amount of the Loan, such payment shall be applied solely to prepay the Loans of all Lenders that are not Defaulting Lenders pro rata prior to being applied to the prepayment of any Loans of any Defaulting Lender.

(ii) Notwithstanding anything set forth herein to the contrary, a Defaulting Lender shall not have any voting or consent rights under or with respect to this Agreement or any other Loan Document or constitute a "Lender" (or be included in the calculation of "Required Lenders" hereunder) for any voting or consent rights under or with respect to this Agreement or any other Loan Document except with respect to items described in Section 11.4(c) which require the vote or consent of all Lenders or all affected Lenders, and no Defaulting Lender shall have any other right to approve or disapprove any amendment, waiver, consent or any other action the Lenders or the Required Lenders have taken or may take hereunder (including any consent to any amendment or waiver pursuant to Section 11.4), provided that any waiver, amendment or modification described in Section 11.4(c) requiring the consent of all Lenders or each directly affected Lender which affects such Defaulting Lender differently than other affected Lenders shall require the consent of such Defaulting Lender.

(iii) The failure of any Defaulting Lender to make any Loan, advance or any payment required by it hereunder shall not relieve any other Lender of its obligations to make such Loan, advance or payment, but neither any Lender nor Administrative Agent shall be responsible for the failure of any Defaulting Lender to make a Loan, advance or make any other payment required hereunder.

(iv) At the written request of the Borrower Representative, Administrative Agent or a Person reasonably acceptable to Administrative Agent shall have the right with

Administrative Agent's written consent and in Administrative Agent's sole discretion (but without any obligation whatsoever on Administrative Agent) to purchase from any Defaulting Lender, and each Defaulting Lender agrees that it shall, at Administrative Agent's written request, promptly sell and assign to Administrative Agent or such Person, all of the lending commitments and commitment interests of that Defaulting Lender for an amount equal to the principal balance of all Loans held by such Defaulting Lender and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated (if at all upon Administrative Agent's election) pursuant to an executed Assignment Agreement.

(b) **Defaulting Lender Cure**. If Borrowers and Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any cash collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Swingline Loans to be held pro rata by the Lenders in accordance with their Pro Rata Shares, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of Borrowers while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

12.16 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Debtor in Possession Revolving Credit Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWERS:

VERITY HEALTH SYSTEM OF CALIFORNIA, INC.
O'CONNOR HOSPITAL
SAINT LOUISE REGIONAL HOSPITAL
ST. FRANCIS MEDICAL CENTER
ST. VINCENT MEDICAL CENTER
SETON MEDICAL CENTER
VERITY HOLDINGS, LLC
VERITY MEDICAL FOUNDATION
O'CONNOR HOSPITAL FOUNDATION
SAINT LOUISE REGIONAL HOSPITAL FOUNDATION
ST. FRANCIS MEDICAL CENTER OF LYNWOOD FOUNDATION
ST. VINCENT FOUNDATION
ST. VINCENT DIALYSIS CENTER, INC.
SETON MEDICAL CENTER FOUNDATION
VERITY BUSINESS SERVICES
DE PAUL VENTURES, LLC
DE PAUL VENTURES - SAN JOSE DIALYSIS, LLC

By: _____
Name: Rich Adcock
Title: Chief Executive Officer

ADMINISTRATIVE AGENT:

ALLY BANK

By: _____
Name: Whitney Parker
Title: Authorized Signatory

LENDER AND SWINGLINE LENDER:

ALLY BANK

By: _____
Name: Whitney Parker
Title: Authorized Signatory

LENDERS:

[_____]

By: _____
Name:
Title:

[_____]

By: _____
Name:
Title:

ANNEX A

Revolving Commitments

Name of Lender	Final Commitment of such Lender	Interim Commitment of such Lender	Pro Rata Share
ALLY BANK	$185,000,000	$30,000,000	100%
TOTAL	$185,000,000	$30,000,000	100%

Schedule 5.19

Post-Closing Obligations

1. Within [__] days after the Closing Date, Administrative Agent shall have received Mortgages in form and substance acceptable to Administrative Agent on the real property described below, together with Phase 1 reports, PZR reports, flood certificates, appraisals and such other usual and customary documents as Administrative Agent may request relating to such real property:

   [**Note: Locations to be added.**]

2. Within [__] days after the Closing Date, Administrative Agent shall have received satisfactory evidence that each Management Agreement in effect prior to the Closing Date has been rejected by the Borrowers pursuant to a filing with the Bankruptcy Court, which filing shall have been approved by the Bankruptcy Court.

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession.	Lead Case No. 2:18-bk-20151-ER (Proposed To Be) jointly administered with: Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____; Case No. 18-_____ Chapter 11 Cases **DECLARATION OF RICHARD G. ADCOCK IN SUPPORT OF EMERGENCY FIRST-DAY MOTIONS**
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

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I, Richard G. Adcock, hereby state and declare as follows:

1. I am the Chief Executive Officer of Verity Health System of California, Inc. ("VHS"). I became the Debtors' Chief Executive Officer effective January 2018. Prior thereto, I served as VHS's Chief Operating Officer since August 2017.

2. I have extensive senior-level experience in the not-for-profit healthcare arena, especially in the areas of healthcare delivery, hospital acute care services, health plan management, product management, acquisitions, integrations, population health management, budgeting, disease management and medical devices. I have meaningful experience in both the technology and healthcare industries in the areas of product development, business development, mergers and acquisitions, marketing, financing, strategic and tactical planning, human resources, and engineering.

3. Prior to VHS, from 2014 until 2017, I served as Executive Vice President and Chief Innovation Officer of Sanford Health, a large integrated health system headquartered in the Dakotas and is dedicated to health and healing. In this role, I was responsible for leading Sanford Health's growth and innovation, in addition to direct operational oversight of the following related entities: Sanford Research, Sanford Health Plan, Sanford Foundation (a philanthropic fundraising foundation), Sanford Frontiers (a commercial and real estate company), Profile by Sanford (a scientific weight loss program), and Sanford World Clinic (which operates clinics in multiple countries).

4. From 2012 to 2017, I served as the President of Sanford Frontiers and was responsible for starting a new entity within Sanford Health focused on innovative ventures. From 2008 to 2012, I served as Executive Vice President of Sanford Clinic. I was responsible both for (i) working directly with the President of the Clinic to the lead team of Vice Presidents in all aspects of management, and (ii) Sanford World Clinics operations, including the design, opening and operation of several global clinics. From 2006 to 2008, I served as the Vice President of Sanford Clinic and was responsible for leading strategic, operational and financial aspects within Sanford Clinic. From 2004 to 2006, I served as Director of Clinical Operations at Sanford

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Children's Specialty Clinic and was responsible for leading the Pediatric Subspecialty Physician program and the clinical practice through all facets of the operation.

5. Prior to Sanford Health, I served as the Director of Engineering and Six Sigma Master Black Belt at GE Medical Systems, and before that I was the Vice President of Research and Development and the Co-Owner/Founder of Micro Medical Systems. I have a bachelor of science in business administration and a masters of business administration in healthcare management.

6. On the date hereof (the "Petition Date"), VHS and certain of its subsidiaries (collectively, the "Debtors" or "Verity") filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the "Bankruptcy Court"). I am knowledgeable and familiar with the Debtors' day-to-day operations, business and financial affairs, and the circumstances leading to the commencement of these chapter 11 cases (the "Chapter 11 Cases").

7. Except as otherwise indicated herein, this Declaration is based upon my personal knowledge, my review of relevant documents, information provided to me by employees of the Debtors and Integrity Healthcare, LLC ("Integrity") or the Debtors' legal and financial advisors, or my opinion based upon my experience, knowledge, and information concerning the Debtors' operations and the healthcare industry. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

8. I make this declaration for the purpose of apprising the Court and parties in interest of the circumstances that compelled the commencement of these Chapter 11 Cases and in support of the First-Day Motions (as defined below).

9. To enable the Debtors to minimize the adverse effects of the commencement of these Chapter 11 Cases on their business, the Debtors have requested various types of relief in a number of applications and motions (each a "First Day Motion," and, collectively, the "First Day Motions"). The First-Day Motions seek relief intended to maintain the Debtors' business operations; to preserve value for the Debtors, its stakeholders, and parties in interest; and, most

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importantly, to protect the health and wellbeing of the patients who are being treated at the Hospitals (defined below) operated by the Debtors and the employees of the Debtors. Each First Day Motion is crucial to the Debtors' reorganization efforts and to the health and wellbeing of the patients. Any capitalized term not expressly defined herein shall have the meaning ascribed to that term in the relevant First-Day Motion.

10. Section I provides an overview of the Debtors and these Chapter 11 Cases. Section II describes the Debtors' businesses. Section III describes the circumstances that compelled the commencement of the Chapter 11 Cases. Section IV describes the Debtors' corporate and capital structure. Section V describes the Debtors' sales efforts. Section VI provides a summary of the First-Day Pleadings and factual bases for the relief requested therein.

I. OVERVIEW[1]

11. Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate member of the following five Debtor California nonprofit public benefit corporations that operate six acute care hospitals, O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, and Seton Medical Center Coastside (collectively, the "Hospitals") and other facilities in the state of California. Seton Medical Center and Seton Medical Center Coastside operate under one consolidated acute care license.

12. VHS, the Hospitals, and their affiliated entities (collectively, "Verity Health System") operate as a nonprofit health care system in the state of California, with approximately 1,680 inpatient beds, six active emergency rooms, a trauma center, and a host of medical specialties, including tertiary and quaternary care. The scope of the services provided by the Verity Health System (defined below) is exemplified by the fact that in 2017, the Hospitals provided medical services to over 50,000 inpatients and approximately 480,000 outpatients.

13. The VHS affiliated entities, including the Debtors, are as follows:

- O'Connor Hospital
- Saint Louise Regional Hospital

[1] Capitalized terms used but not defined in this overview section shall have the meanings assigned to them below.

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- St. Francis Medical Center
- St. Vincent Medical Center
- Seton Medical Center, including
- Seton Medical Center Coastside campus
- Verity Business Services
- Marillac Insurance Company, Ltd.
- O'Connor Hospital Foundation
- Saint Louise Regional Hospital Foundation
- St. Francis Medical Center of Lynwood Foundation
- St. Vincent Medical Center Foundation
- Seton Medical Center Foundation
- St. Vincent de Paul Ethics Corporation
- St. Vincent Dialysis Center
- De Paul Ventures, LLC
- De Paul Ventures San Jose Dialysis, LLC
- De Paul Ventures San Jose ASC, LLC
- Verity Medical Foundation
- Verity Holdings, LLC

14. Verity Medical Foundation ("VMF"), incorporated in 2011, is a medical foundation, exempt from licensure under California Health & Safety Code § 1206(l). VMF contracts with physicians and other healthcare professionals to provide high quality, compassionate, patient-centered care to individuals and families throughout California. With more than 100 primary care and specialty physicians, VMF offers medical, surgical and related healthcare services for people of all ages at community-based, multi-specialty clinics conveniently located in areas served by the Debtor Hospitals. VMF holds long-term professional services agreements with the following medical groups: (a) Verity Medical Group; (b) All Care Medical Group, Inc.; (c) CFL Children's Medical Associates, Inc.; (d) Hunt Spine Institute, Inc.; (e) San Jose Medical Clinic, Inc., D/B/A San Jose Medical Group; and (f) Sports, Orthopedic And Rehabilitation Associates.

15. Verity Holdings LLC ("Holdings"), a direct subsidiary of its sole member VHS, was created in 2016 to hold and finance Verity's interests in six medical office buildings whose tenants are primarily physicians, medical groups, healthcare providers, and certain of the VHS Hospitals. Holdings' real estate portfolio includes over 30 properties, as more fully described below.

16. Saint Louise Regional Hospital Foundation, St. Francis Medical Center Foundation, St. Vincent Medical Center Foundation, Seton Medical Center Foundation, and

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O'Connor Medical Center Foundation handle fundraising and grant-making programs for each of their respective Debtor Hospitals.

17. As of August 30, 2018, the Debtors' facilities had approximately 850 patients, and are currently at approximately 50% occupancy.

18. As of August 31, 2018, the Debtors have approximately 7,385 employees, of whom 4,733 are full-time employees. Approximately 74% of these employees are represented by collective bargaining units. Specifically, 72% of the Debtors' Employees – approximately 5,331 Employees in total – are represented through California Nurses Associations ("CNA"), Service Employees International Union ("SEIU"), National Union Healthcare Workers ("NUHW") and United Nurses Association of California/Union of Health Care Professionals ("UNAC").

19. As part of the mission of Verity Health System to serve the community, VHS provides care to patients even though they may lack adequate insurance or may participate in programs that do not pay full charges.

20. All of the Debtors' Hospitals are licensed as general acute care hospitals by the California Department of Public Health, certified to participate in the Medicare and Medicaid programs, and managed by VHS.

21. Each of the Debtors are exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, except for Verity Holdings, LCC, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC.

22. St. Francis Medical Center owns real property commonly known as: (i) 3630 E. Imperial Highway Lynwood, CA 90262, including the patient tower and all of the facilities thereon; (ii) 2700 E. Slauson Ave, Huntington Park, CA 90255, and the Huntington Park Medical Office Building thereon; and (iii) 5953 S. Atlantic Blvd. 5, Maywood, CA 90270, and Maywood Medical Office Building thereon.

23. St. Vincent Medical Center owns real property commonly known as: (i) 2131 W 3rd Street, Los Angeles, CA 90057, including the hospital and all of the facilities located thereon; and (ii) vacant land in Salton Sea, California.

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24. Saint Vincent Medical Foundation owns: (i) a fractional timeshare of a condominium commonly known as 2600 Avenida Del Presidente, San Clemente, CA 92672; and (ii) Lot 10 of Block 572 of Rio Grande Estates, Unit 25, Valencia, NM.

25. O'Connor Hospital owns real property commonly known as: (i) 455 O'Connor Dr. San Jose, CA 95128, and partial interest in the medical office building thereon; (ii) 2105 Forest Ave, San Jose, CA 95128 and the acute hospital, medical office building, and all of the facilities located thereon.

26. Saint Louise Regional Hospital owns real property commonly known as: (i) 9400 No Name Uno, Gilroy, CA 95020, and the hospital and helipad thereon; and (ii) 705 Las Animas Road, Gilroy, CA 95020.

27. Seton Medical Center owns (i) real property commonly known as 1900 Sullivan Avenue, Daly City, CA 94015, and the Hospital and the facilities thereon (the "Daly Property"), and (ii) an employee parking lot on the Daly Property.

II. The Debtors' Businesses

A. The Debtors' Current Business Operations.

28. A description of VHS, each Hospital and its respective subsidiaries and affiliates is described below, all of which are jointly-administered Debtors in these cases.

29. **Verity Health Systems.** As set forth above, VHS is a nonprofit regional healthcare system headquartered in El Segundo, California. VHS was originally established by the Daughters of Charity of St. Vincent de Paul, Province of the West, to support the mission of the Catholic Church through a commitment to the sick and poor. VHS operates six hospitals in California.

30. **Verity Business Services.** VHS operates Verity Business Services ("VBS"), a nonprofit public benefit corporation. VBS provides support services to Verity and its affiliated hospitals including accounting, finance, patient financial services, supply chain management, and purchasing services for the entire health system.

31. **Verity Medical Foundation.** As set forth above, VMF operates clinics and contracts with physicians to provide high quality, compassionate, patient-centered care to

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individuals and families throughout California. With more than 100 primary care and specialty physicians, VMF offers medical, surgical and related healthcare services for people of all ages at community-based, multi-specialty clinics conveniently located in areas served by the Hospitals.

32. **O'Connor Hospital.** O'Connor Hospital is a nonprofit public benefit corporation that operates a 358 licensed-bed, general acute care hospital that serves residents from the greater San Jose area. The hospital has an emergency department with 23 emergency treatment stations. It also has 11 surgical operating rooms and two cardiac catheterization labs. The hospital offers a comprehensive range of healthcare services, including emergency, cardiac, orthopedic, cancer, obstetrics, and sub-acute care services. The hospital is accredited by The Joint Commission.

33. **O'Connor Foundation.** O'Connor Foundation was incorporated in 1983 and is governed by a Board of Trustees. Charitable donations and endowments help fund the acquisition of new equipment, the expansion of O'Connor Hospitals' facilities, healthcare services, and community outreach programs. O'Connor Hospital is the sole corporate member of O'Connor Foundation. As of May 31, 2018, O'Connor Hospital Foundation had a balance of $1,123,644.15 in temporarily restricted assets and a balance of approximately $334,802.20 in permanently restricted assets for the purpose of funding the cardiac catheterization lab capital, wound care services, surgical services, and various other programs.

34. **St. Vincent Medical Center.** St. Vincent Medical Center was founded as the first hospital in Los Angeles in 1856. In 1971, a new facility was constructed at the Hospital's current location at 2131 West Third Street, Los Angeles, CA 90057. The hospital has expanded to a 366 licensed bed, regional acute care, tertiary referral facility, specializing in cardiac care, cancer care, total joint and spine care, and multi-organ transplant services. The Hospital serves both local residents and residents from Los Angeles, San Bernardino, Riverside, and Orange Counties. As a provider of healthcare services for a high percentage of elderly patients, many of the hospital's services and programs are focused on the treatment of various chronic diseases.

35. **St. Vincent Foundation.** St. Vincent Foundation was incorporated in 1989 as a nonprofit public benefit corporation. Charitable donations and endowments raised by St. Vincent Foundation help fund the acquisition of new equipment, the expansion of the Hospital's facilities,

healthcare services, and community outreach programs. St. Vincent Foundation raises funds through grants, special events, and individual donors. St. Vincent is governed by a Board of Trustees, and St. Vincent Medical Center is the sole corporate member of the Foundation. St. Vincent, as well as St. Vincent Foundation, holds donor-restricted funds. As of May 31, 2018, St. Vincent Foundation had a balance of approximately $1,590,149.89 in temporarily restricted assets and a balance of approximately $136,159 in board designated temporarily restricted assets for the purpose of funding programs such as bone mineral density research, transportation for low-income patients, the organ transplantation program, and oncology research and treatment.

36. **St. Vincent Dialysis Center.** St. Vincent Medical Center is the sole corporate member of the St. Vincent Dialysis Center, located on the Hospital's campus. The St. Vincent Dialysis Center provides dialysis services for kidney disease patients, including hemodialysis and isolated ultrafiltration treatments as part of the Hospital's end-stage renal disease program.

37. **St. Francis.** St. Francis Medical Center was established in 1945 and gained sponsorship from Daughters of Charity, Province of the West, in 1981. The hospital provides comprehensive healthcare services and operates one of the busiest emergency trauma centers in Los Angeles County. The Hospital serves 1.2 million residents of Southeast Los Angeles, located in the communities of Lynwood, South Gate, Downey, Huntington Park, Bell Gardens, Maywood, and Compton. As a provider of healthcare services for many Medi-Cal and uninsured patients, the hospital receives significant Disproportionate Share Hospital funding. St. Francis operates a 384 licensed bed, general acute care hospital located at 3630 East Imperial Highway in Lynwood, California. The hospital has an emergency department with 46 licensed emergency treatment stations and is designated a Level II Trauma Center. It also has nine surgical operating rooms and three cardiac catheterization labs for inpatient and outpatient cardiac catheterization services. The hospital offers a comprehensive range of services, including emergency and trauma care, neonatal intensive, cardiovascular, oncology, pediatrics, behavioral health, and maternity and child services. In addition to the inpatient programs and services, the Hospital also offers various outpatient services, including ambulatory surgical services, laboratory services, imaging services, infusion therapy, nuclear medicine services, respiratory therapy, and physical therapy.

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Other outpatient services are provided at the following clinics: Orthopedics Clinic, Wound Care Clinic, Industrial Clinic, Lynwood Clinic, Downey Clinic , and Huntington Park Clinic. The Hospital is accredited by The Joint Commission.

38. **St. Francis Medical Center Foundation.** St. Francis Medical Center is the sole corporate member of St. Francis Medical Center Foundation. St. Francis Medical Center Foundation was incorporated in 1983 as a nonprofit public benefit corporation and is governed by a volunteer Board of Trustees. Charitable donations and endowments help fund the acquisition of new equipment, the expansion of the Hospital's facilities, healthcare services, and community outreach programs. St. Francis Foundation raises funds through grants, special events, and individual donors. As of May 31, 2018, St. Francis Foundation had a balance of $656,118.24 in temporarily restricted assets for the purpose of funding programs such as the Children's Counseling Center, nurse education, and the annual Women's Luncheon in support of mammogram equipment. The Foundation also funds Health Benefit Resource Center, Healthy Communities Initiative, and Trauma Recovery.

39. **Seton Medical Center.** Seton Medical Center was originally founded as Mary's Help Hospital by the Daughters of Charity of St. Vincent De Paul in 1893. The original facility was destroyed in the San Francisco Earthquake of 1906, and by 1912, Mary's Help Hospital reopened a new facility in San Francisco. In 1965, the hospital was moved to its current location at 1900 Sullivan Avenue in Daly City. The hospital was renamed Seton Medical Center in 1983, is currently licensed for 357 beds and serves residents from San Francisco and San Mateo areas. Seton Medical Center has an emergency department with 18 licensed treatment stations. It also has 13 surgical operating rooms and three cardiac catheterization labs. Of the Hospital's 83 licensed skilled nursing beds, 39 are in suspense, and the remaining 44 beds are utilized as sub-acute care beds. Additionally, the hospital has 24 licensed acute psychiatric beds which have been placed in suspense. The hospital has a broad spectrum of medical services, including cancer, cardiac, emergency, surgical, rehabilitation, respiratory, orthopedic, and sub-acute care. The hospital is accredited by The Joint Commission. Seton Medical Center and Seton Coastside share a consolidated license.

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40. **Seton Coastside.** Seton Coastside was founded as Moss Beach Rehabilitation Hospital in 1970. In 1980, the City of Half Moon Bay acquired ownership of the hospital and signed an agreement for Daughters of Charity to manage operations of the hospital and rename it St. Catherine's Hospital. In 1993, St. Catherine's Hospital became Seton Coastside as it became integrated with Seton Medical Center. Today, Seton Coastside is licensed for 116 skilled nursing beds and five general, acute-care beds. Seton Coastside also operates the only 24-hour "standby" Emergency Department along the 55-mile stretch between Santa Cruz and Daly City. Under a consolidated license, Seton Medical Center and Seton Coastside share the same Board of Directors, executive leadership team, charity care policies, and union collective bargaining agreements.

41. **Seton Foundation.** Seton Foundation, governed by a Board of Trustees, raises funds through grants, special events and individual donors. Charitable donations and endowments raised by Seton Foundation help fund the acquisition of new equipment and the expansion of facilities at the Seton Medical Center and Seton Coastside. Seton is the sole corporate member of the Seton Foundation. As of May 31, 2018, Seton Foundation had a balance of $2,693,778.66 million in temporary restricted assets and a balance of $ 2,717,591 million in permanently restricted assets for the purpose of funding programs such as oncology, the San Francisco Heart & Vascular Institute, and women and delivery services.

42. **Saint Louise Hospital.** Saint Louise Hospital opened in 1989 in the Morgan Hill area of Santa Clara County. In December 1999, the Daughters of Charity of St. Vincent de Paul relocated the hospital to Gilroy and renamed it Saint Louise Regional Hospital. Today, the Hospital's 93-bed facility and 24-hour emergency department provide services to the residents of southern Santa Clara County, including Morgan Hill, San Martin, and Gilroy. Saint Louise Regional Hospital operates a 93 licensed bed, general acute care hospital located at 9400 No Name Uno, Gilroy, California 95020. The Hospital has an emergency department with eight licensed emergency treatment stations. The Hospital also has five surgical operating rooms for inpatient and outpatient surgical procedures. Ten of the Hospital's 21 licensed skilled nursing

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beds are in suspense. The Hospital provides comprehensive healthcare services including cancer, emergency, rehabilitation, and surgical care. The Hospital is accredited by The Joint Commission.

43. Saint Louise Regional Hospital owns and operates the De Paul Urgent Care Center. The De Paul Urgent Care Center is located in Morgan Hill, and offers patients non-emergency medical services seven days a week. The De Paul Urgent Care Center treats non-life threatening cases, such as minor injuries and lacerations, strep throat, sinus infections, rashes, nausea, vomiting, colds, flu, and fever.

44. **Saint Louise Foundation.** Saint Louise Foundation, governed by a Board of Trustees, raises funds through grants, special events, and individual donors. Charitable donations and endowments raised by Saint Louise Foundation help fund the acquisition of new equipment and the expansion of the Hospital's facilities. Saint Louise is the sole corporate member of Saint Louise Foundation. As of May 31, 2018, Saint Louise Regional Hospital Foundation had a balance of approximately $561,486.86 in temporarily restricted assets.

45. **De Paul Ventures, LLC.** De Paul Ventures, LLC is a wholly-owned and operated holding company of Verity that was formed in August 2010 for the purpose of investing in a freestanding surgery center and other healthcare entities.

46. **DePaul Ventures - San Jose Dialysis, LLC.** In April, 2013, DePaul Ventures, LLC, formed DePaul Ventures - San Jose Dialysis, LLC ("Dialysis"). Dialysis is a general and limited partner of Priday Dialysis, LLC, a healthcare center specializing in end-stage renal disease treatment. Dialysis shares an interest in Priday Dialysis with Total Renal Care, Inc., which is a subsidiary of DaVita.

47. **Verity Holdings, LLC.** As set forth above, Holdings is a direct subsidiary of its sole member VHS and was created in 2016 to hold and finance Verity's interests in six medical office buildings whose tenants are primarily physicians, medical groups, healthcare providers, and certain of the VHS Hospitals. Holdings' real estate portfolio includes over 30 properties, including, but not limited to, apartment buildings, parking lots, and condominiums. Holdings is the borrower on approximately $66.2 million of non-recourse financing secured by separate deeds of trust and revenue and accounts pledges, including the rents on each medical office building

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(collectively "MOB Financing").

48. **Non-Debtor VHS Entities.** The Debtors' have an interest in the entities described below that are not filing chapter 11.

49. Marillac Insurance Company, LTD. ("Marillac"), a wholly-owned subsidiary of VHS, was incorporated in the Cayman Islands on December 9, 2003, as an exempted company and was granted an Unrestricted Class "B" Insurer's License effective December 15, 2003, which it holds subject to the provisions of the Insurance Law of the Cayman Islands. On November 1, 2012, The Insurance Law, 2010 (the "Law") became effective. Under such law, Class B licenses were changed from "restricted" and "unrestricted," as they had been described in previous revisions of the law, into three separate classes "(i)," "(ii)" and "(iii)." Insurers writing at least 95% of net premiums with their related business (in this case VHS) fell into Class B(i). The Company was granted a Class B(i) license, effective April 2, 2015. Marillac provides insurance coverage to VHS and its affiliates.

50. St. Vincent De Paul Ethics Corporation does not hold any assets and is a nondebtor entity. St. Francis Medical Center is its sole corporate member.

51. VHoldings MOB, LLC ("VHoldings") is currently an inactive subsidiary of VHS and has no assets or obligations. It was created as a "special purpose entity" for a proposed financing that did not materialize. As part of the proposed transaction structure, four additional LLCs were established in which, VHoldings was the sole member of each. The four additional LLCs were dissolved on January 23, 2017.

52. De Paul Ventures – San Jose ASC, LLC ("San Jose ASC"), was formed in February 2011, by De Paul Ventures, LLC (which is a filing entity), and owns a 25% interest as a limited partner in a partnership with Physician Surgery Services, dba Advanced Surgery Center, a freestanding surgery center in San Jose. San Jose ASC's only asset is a sale contract, pursuant to which it receives payments of $125,000 every other month. Postpetition, San Jose ASC will continue to forward to VHS the $125,000 received every other month. Once all payments are received, the Debtors will dissolve San Jose.

53. Robert F. Kennedy Medical Center is a nonprofit public benefit corporation that

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operated a 229-bed general acute care hospital and served residents in Hawthorne, California, until December 31, 2004. Robert F. Kennedy Medical Center Foundation is a nonprofit public benefit corporation that raised funds for the Robert F. Kennedy Medical Center.

54. O'Connor Health Center I is a California limited partnership, formed in January 1996 ("OCH1"). O' Connor Hospital is a limited partner in OCH1 and the general partner is OCH Forest 1, LP. OCH1 owns certain real property at 455 O'Connor Drive, San Jose, California. Such property is leased by O'Connor Hospital.

55. Sports Medical Management, Inc. has no assets or obligations.

B. Integrity's Management of Debtors.

56. As set forth above, Integrity was formed in 2015 to carry out the management services under the Management Agreement, for which Integrity is paid a monthly management fee. Through June 30, 2017, Integrity was wholly owned by BlueMountain. In July 2017, NantWorks, LLC ("NantWorks"), acquired a majority stake in Integrity from BlueMountain. There were no significant changes to the terms of the Restructuring Agreement or the California Attorney General requirements as a result of this transaction.

57. On a monthly basis, VHS records management fee expense and makes payments to Integrity associated with the management services received under the Management Agreement. During the initial fiscal year which ended June, 2016, the monthly management fee was determined based on a specified percentage of trailing 12 month operating revenues for VHS. Such management fees are adjusted each succeeding fiscal year based on changes in the consumer price index. VHS defers payment for a portion of management fees based on its days' cash on hand over the most recent 90 day period. All deferred management fees accrue interest at 2.82% per annum to the extent such amounts are not paid in the fiscal year that services are received. Such deferred management fees are contingently payable based on the terms of the Management Agreement, which include annual calculations of excess cash on hand.

C. Verity's Employees.

58. As set forth above, altogether, the Debtors employ approximately 7,385 employees (the "Employees") – 6,907 excluding VMF and 478 under VMF. Almost three-quarters of the

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Debtors' Employees – approximately 5,488 Employees in total – are represented through CNA, SEIU, California Licensed Vocational Nurses' Association, and The International Union of Operating Engineers, Stationary Local No. 39, AFL-CIO.

59. For W-2 tax and payroll purposes, the Debtors are divided into eight employers:

(a) VHS, which covers the Systems Office and the Philanthropic Foundations, and as of the Petition Date employed approximately 294 employees, of which 289 are full-time, 3 are part time and 2 are employed on a per diem basis;

(b) Verity Business Services, which as of the Petition Date employed approximately 307 employees, of which 285 are full-time, 11 are part time and 11 are per diem;

(c) O'Connor Hospital, which as of the Petition Date employed approximately 1,370 employees, of which 586 are full-time, 441 are part time and 343 are per diem;

(d) Saint Louise Regional Hospital, which as of the Petition Date employed approximately 480 employees, of which 153 are full-time, 159 are part time and 168 are per diem;

(e) St. Francis Medical Center, which as of the Petition Date employed approximately 2,017 employees, of which 1,583 are full-time, 136 are part time and 298 are per diem;

(f) St. Vincent Medical Center, which as of the Petition Date employed approximately 1,099 employees, of which 897 are full-time, 42 are part time and 160 are per diem;

(g) Seton Medical Center, which includes Seton Medical Center Coastside, and as of the Petition Date employed approximately 1,340 employees, of which 516 are full-time, 551 are part time and 273 are per diem; and

(h) VMF, which as of the Petition Date employed approximately 478 employees, of which 424 are full-time, 15 are part-time and 39 are per diem.

60. The Debtors' Employees are represented by the following unions with the respective contractual obligations: (i) SEIU-UHW (Non-Nursing Service Employees) at St. Francis Medical Center, St. Vincent Medical Center, O'Connor Medical Center, Saint Louise Regional Hospital; (ii) SEIU-UHW (Non-Nursing Service Employees) at Verity Medical Foundation; (iii) NUHW (Non-Nursing Service Employees) at Verity Medical Foundation; (iv) NUHW (Non-Nursing Service Employees) at Seton Medical Center, Seton Medical Center Coastside; (v) CAN (Nurses) St.

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Vincent, O'Connor, St. Louise, Seton, Seton Coastside; (vi) UNAC (Nurses) at St. Francis; (vii) CLVNA (Licensed Vocational Nurses) (O'Connor); (viii) Local 20 (Clinical Laboratory Scientists) O'Connor, St. Louise, Seton; (ix) Local 39 (Stationary and Bio-medical Engineers) and O'Connor, St. Louise, Seton.

D. Pension and Other Postretirement Benefit Plans.

61. VHS maintains two single employer defined benefit pension plans and participates in two multi-employer defined benefit pension plans. The defined benefit pension plans have been frozen for all employees, except members of the CNA at certain facilities. Defined benefit pension plan benefits are generally based on age, years of service, and employee compensation. In addition, VHS and VMF maintain several defined contribution retirement plans for employees.

62. The significant multiemployer defined benefit pension plan is the Retirement Plan for Hospital Employees ("RPHE"). The VHS entities that participate in the RPHE are Seton Medical Center, Seton Medical Center Coastside, O'Connor Hospital, Saint Louise Regional Hospital, and Verity Business Services. The RPHE is frozen as to these facilities, other than with respect to CNA members at O'Connor Hospital, Saint Louise Regional Hospital and Seton Medical Center. Benefits under the RPHE are generally based on years of service and employee compensation. Contributions to the RPHE are based on actuarially determined amounts by the RPHE Board of Trustees to meet benefits to be paid to plan participants and satisfy IRS funding requirements. VHS recorded benefit expenses of approximately $20.46 million and $17.22 million in cash contributions to the RPHE for the fiscal years ended June 30, 2017 and 2016, respectively. The VHS contributions accounted for approximately 43% and 40% of total contributions made to the RPHE for the fiscal years ending June 30, 2017 and 2016, respectively. Of the estimated remaining $4.79 million for 2018 and expected $12.68 million for 2019, VHS contributions to RPHE, approximately $3.15 million and $7.63 million, respectively, is for make-up of underfunded amounts that arose prior to VHS' acquisition from the Daughters of Charity Health System ("DCHS"). As of July 31, 2018, there were no unpaid contribution installment obligations owed by VHS to the RPHE.

63. In addition to the RPHE, Verity assumed in the Daughters of Charity restructuring

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certain obligations under a multiemployer plan commonly referred to as Stationary Engineers Local 39 Pension Plan (the "Local 39 Plan"). As of July 31, 2018, there were no unpaid contributions due on the Local 39 Plan.

64. VHS maintains two single-employer defined benefit pension plans (the "Verity A & B Plans"). VHS personnel at St. Francis Medical Center, St. Vincent Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and the VHS system office are eligible to participate in these plans. However, only CNA members continue to earn new benefits under the Verity Plan A; the Verity Plan B is completely frozen with no ongoing benefit accruals. VHS contributed approximately $41.68 million and $9.92 million during the fiscal years ended June 30, 2017 and 2016, respectively. Of the estimated remaining $10.12 million for 2018 and expected $35.53 million for 2019 VHS contributions to Verity Plan A, approximately $8.10 million and $28.05 million, respectively, is for make-up of underfunded amounts that arose prior to VHS' acquisition from the Daughters of Charity. As of July 31, 2018, there were no unpaid contribution installment obligations owed by VHS to the Verity A & B Plans.

65. VHS and VMF also maintain several active defined contribution retirement plans for eligible employees; eligibility for and benefits under the defined contribution retirement plans vary according to facility, union status, and employee classification/hire date. These defined contribution plans include the Verity Health System Supplemental Retirement Plan (TSA), the Verity Health System Supplemental Retirement Plan (401(a)), the Verity Health System Retirement Account (RPA), the Verity Medical Foundation 401(k) Plan, the Verity Medical Foundation Management Bargaining Unit Employees 401(k) Plan for represented employees and the Verity Health System Executive Long-Term Savings Plan (457(b)) Plan for nonrepresented employees. These defined contribution plans are funded from employee and/or employer contributions generally on a payroll by payroll basis. In addition to the above active defined contribution plans, there are several small, frozen ancillary retirement plans. During the fiscal years ended June 30, 2017 and 2016, the employer's contribution expense for defined contribution plans was approximately $18.48 million and $21.75 million respectively. As of July 31, 2018, there were no unpaid employer contributions owed on any of these defined contribution

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plans other than unpaid contributions for current and recent payroll cycles consistent with ordinary administrative practices.

66. VHS also maintains an early retiree health insurance program (the Postretirement Healthcare Plan), which provides medical benefits to eligible retirees from early retirement to age 65 only. The postretirement health care benefits are determined based on age and years of service. Certain employees at O'Connor Hospital, St. Louise Regional Hospital, Seton Medical Center, and Seton Medical Center Coastside are eligible to participate in this plan. The Postretirement Healthcare Plan is an unfunded plan. VHS contributed $50,000 and $58,000 to the Postretirement Healthcare Plan during the fiscal years ended June 30

E. Insurance Policies

67. The Debtors maintain various insurance policies issued by several insurance carriers (collectively, the "Insurance Carriers"). Collectively, these policies provide for coverage for, among other things: storage tank liability, commercial property, workers' compensation and employers liability, commercial automobile, helipad liability & non-owned aircraft liability, sexual misconduct and molestation liability, D&O liability, general liability, and professional liability (collectively, the "Insurance Policies").[2]

68. Significant insurance is issued to the Debtors by its captive insurer Marillac. VHS is the sole owner of Marillac. The policies issued by Marillac cover professional and general liability (both at the primary and excess level) and additional excess coverage as to automobile liability, heliport and non-owned aircraft liability, employer's liability and certain other general liability. Marillac also issued a Deductible Liability Protection Policy which provides coverage for the deductible obligations on the Debtors' workers' compensation policy issued by Old Republic Insurance Company ("Old Republic").

69. Most of the Debtors' Insurance Policies will expire between September 5, 2018 and July 1, 2019. The Debtors have begun negotiating renewals, extensions and/or entries into new insurance policies with respect to the expiring Insurance Policies.

[2] The Insurance Policies include six (6) CA DHS patient Trust Bonds, which have an annual premium in the aggregate of $1,100 that was paid in full in December 2017 and will not come due for renewal until December 2018.

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70. In certain instances, the Debtors pay premiums for their Insurance Policies in full at the beginning of the policy and in other instances in quarterly installments. The total annual premium due for Insurance Policies is approximately $18,647,036. Of that amount, the Debtors pay $2,637,071 at the time of inception, and the remaining $16,009,965 is paid in quarterly installments. As of the Petition Date, there are no outstanding unpaid premiums due. The total amount of annual insurance premiums which will come due postpetition is $10,043,085.

a. Self-Insured Retentions

71. The Debtors maintain self-insured retentions of $250,000 per claim under their D&O liability coverage, $350,000 per claim under their employment practices coverage, $50,000 per claim under their fiduciary liability coverage, $100,000 per claim under their crime coverage, and $50,000 per claim under their sexual misconduct and molestation liability coverage (the "Self-Insured Retentions" or "SIRs"). A SIR is a loss amount that the insured is obligated to pay before the insurer's coverage obligation is triggered.

72. The Debtors' Self-Insured Retentions are administered so that the Debtors pay directly for the losses under each policy as they are incurred up to the amounts of the Self-Insured Retentions. Such SIRs due prepetition have been paid. For the last year, no SIR amounts have been due for (a) the D&O liability coverage, (b) the employment practices coverage, (c) the fiduciary liability coverage, and (d) the crime coverage. There have also been no SIR amounts incurred under the sexual misconduct and molestation liability policy last year.

b. Deductibles

73. The Debtors maintain a workers' compensation insurance policy with Old Republic with a $500,000 deductible for each claim. Old Republic provides coverage under the policy up to $1 million for each claim. On average, the monthly invoice amounts for deductibles (including ALAE) incurred under the workers' compensation policy is between $400,000 and $650,000, which are timely paid by Marillac under the Deductible Liability Protection Policy.

74. The deductibles included in the Debtors' other Insurance Policies are:

- Storage Tank Liability - ACE American Insurance Company (Chubb) - $5,000 per Storage Tank Incident;

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- Storage Tank Liability - Tokio Marine Specialty Insurance Company (Philadelphia) - $25,000 per Confirmed Release;
- Commercial Property - American Guarantee and Liability Insurance Company (Zurich) - $100,000 Basic Policy Deductible;
- Commercial Automobile - National Union Fire Insurance Company of Pittsburg, PA (AIG) - $1,000 Comprehensive, $1,000 Collision;
- Helipad Liability & Non-Owned Aircraft Liability - StarNet Insurance Company (Berkley Aviation) - $1,000 Physical Damage per Occurrence; and
- General Liability - Chubb - $10,000 per Occurrence.

75. The Debtors expect their prepetition deductible obligations, other than those deductibles owed under the workers' compensation policy (which are paid by Marillac, a non-debtor), to be minimal.

c. Letter of Credit

76. The Debtors provide a $34,087,296 letter of credit to Old Republic as security for all of the Debtors' obligations, as required under their workers' compensation policy. Marillac is the account party on the letter of credit, and the letter of credit is fully secured by Marillac's assets - $34,087,296 of liquid securities. Pursuant to the Program Agreement Endorsement to the workers' compensation policy, Old Republic may draw upon the letter of credit to reimburse Old Republic for payment of the Debtors' deductible obligations or for payment of other obligations of the Debtors under the workers' compensation policy, if not paid by Marillac. Old Republic may also draw down the $34,087,296 letter of credit in full upon the Debtors' insolvency or filing of a bankruptcy petition.

77. The Debtors expect that Marillac will continue to honor its policy to insure the Debtors' obligations under the workers' compensation policy, and that Old Republic will not be harmed by the Debtors' chapter 11 filing.

d. Claims Administration Agreements

78. The Debtors have entered into administrative services contracts with Sedgwick Claims Management Services, Inc. ("Sedgwick"), for administration of claims submitted under

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the Debtors' workers' compensation policy as well as their professional and general liability policy.

79. The Debtors pay Sedgwick an annual estimated fee of $702,000 which is paid in quarterly installments of $175,000 for services provided by Sedgwick under the Debtor's workers' compensation policy. The actual fees owed to Sedgwick are based on the staffing necessary for Sedgwick to provide claims services and are calculated by taking the actual program salaries, bonuses and temporary expenses multiplied by the salary multiplier. Sedgwick will periodically provide an accounting to determine the actual fees incurred. The Debtors are entitled to a credit if the amount of actual fees owed to Sedgwick are less than the estimated fees paid. On the other hand, Sedgwick bills the Debtors for the additional actual fee owed if the actual fee amount is higher than the estimated fees.

80. With respect to administration of their professional and general liability policy, the Debtors pay Sedgwick $3,545 per claim and suit file, $1,825 per Potentially Compensable Event ("PCE") where an investigation has been requested, $275 for a PCE where an investigation has not been requested pursuant to this agreement. Fees are paid monthly as files are assigned to Sedgwick by the Debtors. Debtors also pay Sedgwick a program management fee of $1,250 each month.

F. Recent Financial Results.

81. As of June 30, 2018, Verity's consolidated unaudited financial statements reflected total assets of approximately $847 million and total liabilities of approximately $1,278 billion.

III. The Need For Chapter 11 Relief And The Events Leading To The Commencement Of These Chapter 11 Cases

A. Historical Challenges.

82. The Hospitals and VMF were originally owned and operated by the Daughters of Charity of St. Vincent de Paul, Province of the West (the "Daughters of Charity"), to support the mission of the Catholic Church through a commitment to the sick and poor. The Daughters of Charity began their healthcare mission in California in 1858 with the opening of Los Angeles Infirmary, now known as St. Vincent Medical Center. The Daughters of Charity expanded its

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hospitals to San Jose in 1889 and San Francisco in 1893. The Daughters of Charity ministered to ill, poverty-stricken individuals for more than 150 years.

83. In March 1995, the Daughters of Charity merged with Catholic Healthcare West ("CHW"). In June 2001, the Daughters of Charity Health System ("DCHS") was formed. In October 2001, the Daughters of Charity withdrew from CHW. In 2002, DCHS commenced operations and was the sole corporate member of the Hospitals, which at that time were California nonprofit religious corporations.

84. Between 1995 and 2015, the Daughters of Charity and DCHS struggled to find a solution to continuing operating losses, either through a sale of some or all of the hospitals or a merger with a more financially sound partner. All these efforts failed. During these efforts, however, the health system's losses continued to mount. In 2005, DCHS issued $364 million in bonds to refinance existing debt and to fund future capital expenditures. Three years later, in 2008, they issued another $143 million in bonds to refinance existing debt.

85. Between 2012 and 2014, DCHS participated in an affiliation with Ascension Health Alliance ("Ascension") in an effort to create greater operating efficiencies. Ascension is the largest Catholic health system in the world and the largest non-profit health system in the United States with facilities in 23 states and the District of Columbia. The affiliation between DCHS and Ascension failed.

86. Despite continuous efforts to improve operations, operating losses continued to plague the health system due to, among other things, mounting labor costs, low reimbursement rates and the ever-changing healthcare landscape. In 2013, DCHS actively solicited offers for O'Connor Hospital, St. Louise Regional Hospital, Seton Medical Center and Seton Medical Center Coastside. In 2013, to avoid failing debt covenants, the Daughters of Charity Foundation, an organization separate and distinct from DCHS, donated $130 million to DCHS to allow it to retire the 2008 Bonds in the total amount of $143.7 million.

87. In early 2014, DCHS announced that they were beginning a process to evaluate strategic alternatives for the health system. Throughout 2014, DCHS explored offers to sell their health system and, in October of 2014, they entered into an agreement with Prime Healthcare

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Services and Prime Healthcare Foundation (collectively, "Prime") to sell the health system. However, to keep the hospitals open, DCHS, needed to borrow another $125 million to mitigate immediate cash needs during the sale process; in other words, to allow DCHS to continue to operate until the sale could be consummated. Notably, DCHS' goal in the transaction was to basically maintain the status quo; their guiding principles for the sale included protecting existing pensions, repaying all their bond debt, continuation of all collective bargaining agreements, maintenance of existing contracts for patient services, and obtaining promises for substantial capital expenditures. In early 2015, the California Attorney General consented to the sale to Prime, subject to conditions on that sale that were so onerous that Prime terminated the transaction.

88. In 2015, DCHS again marketed their health system for sale, and, again, focused on offers that maintained the health system as a whole, and assumed all the obligations. In July 2015, the DCHS Board of Directors selected BlueMountain Capital Management LLC ("BlueMountain"), a private investment firm, to recapitalize its operations and transition leadership of the health system to the new Verity Health System (the "BlueMountain Transaction").

89. In connection with the BlueMountain Transaction, BlueMountain agreed to make a capital infusion of $100 million to the hospital system, arrange loans for another $160 million to the health system, and manage operations of the health system, with an option to buy the health system at a future time. In addition, the parties entered into a System Restructuring and Support Agreement (the "Restructuring Agreement"), DCHS's name was changed to Verity Health System, and Integrity was formed to carry out the management services under a new management agreement.

90. DCHS requested the California Attorney General's consent to enter into the Restructuring Agreement and the BlueMountain Transaction. According to report prepared by MDS Consulting, an expert consulting firm retained to prepare healthcare impact reports for the AG, DCHS outlined the following reasons why the BlueMountain Transaction was either necessary or desirable:

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- The current structure and sponsorship of DHCS was no longer plausible as a result of cash flow projections and dire financial conditions.
- In July and August of 2014, DCHS obtained a short-term financing bridge loan in the amount of $125 million to mitigate the immediate cash needs for an estimated period of time long enough to allow for the transaction to close. Repayment of the funds was due on December 15, 2015, at which time if the full amount was not repaid, DCHS would be at risk of defaulting on both their 2014 and 2005 Revenue Bonds.
- Without bankruptcy protection or additional financial support, DHCS could not continue hospital operations if there is a default.

91. On December 3, 2015, the California Attorney General approved the BlueMoutain Transaction, subject to conditions. The Attorney General conditions were imposed for periods ranging from 5 to 15 years. Generally, the terms of conditions (collectively, the "Conditions") included: (1) limits on transfers of control; (2) maintenance of specific health services and specific bed counts; (3) required participation in Medicare and Medi-Cal programs; (4) required levels of community benefit programs; (5) required levels of charity care; (6) maintenance of certain county payor contracts; (7) requirements for local governing boards; (8) requirements for medical staff compliance; and (9) an annual attestation of compliance with the AG conditions.

92. Under the Restructuring Agreement, VHS, O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center and Seton Medical Center Coastside, all of whom are members of the Obligated Group (as defined below), were converted from religious corporations to public benefit corporations.

93. Despite BlueMountain's infusion of cash and retention of various consultants and experts to assist in improving cash flow and operations, the health system did not prosper.

94. In July 2017, NantWorks, LLC acquired a controlling stake in Integrity. NantWorks brought in a new CEO, CFO, and COO. NantWorks loaned another $148 million to the Debtors.

95. Despite the infusion of capital and new management, it became apparent that the problems facing the Verity Health System were too large to solve without a formal court supervised restructuring. Thus, despite VHS' great efforts to revitalize its Hospitals and improvements in performance and cash flow, the legacy burden of more than a billion dollars of bond debt and unfunded pension liabilities, an inability to renegotiate collective bargaining

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agreements or payor contracts, the continuing need for significant capital expenditures for seismic obligations and aging infrastructure, and the general headwinds facing the hospital industry, make success impossible. Losses continue to amount to approximately $175 million annually on a cash flow basis.

96. Based on the foregoing, and while VHS has made improvements to the existing system, the Debtors have commenced these chapter 11 cases to protect the original legacy of the Daughters of Charity to the maximum extent possible by retiring debt incurred over the past 18 years and freeing the hospital facilities and work force to continue to operate as hospitals under new ownership and leadership without the accumulated crisis of the past. To do that requires the bankruptcy court supervised sale of some or all of the hospitals and related facilities, and the comprehensive resolution of the Debtors financial obligations through a court approved plan of reorganization.

97. The goals of the Debtors' restructuring are to maintain the Debtors' business operations; preserve the going-concern value of the Debtors' businesses, its stakeholders, and parties in interest; and, most importantly, to protect the health and wellbeing of the patients who are treated at the Hospitals and the jobs of the Debtors' approximately 7,000 employees.

B. Current Fiscal Crisis.

98. As described above, the fiscal crisis is the confluence of various factors and historical challenges. Below are a few of the most significant and expected funding requirements in the immediate future.

a. Payor Rates.

99. Verity is paid below market rates through its payor contracts with health plans. Verity's contracts are 20-43% below market. These below market rates would make it difficult for any hospital to break even. Summarized below is illustrative data, highlighting Verity's rates as a percentage of Medicare relative to the market rates.

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Managed Care Rates Expressed as a Percent of Medicare Rates (Combined Inpatient and Outpatient)

	BlueCross			BlueShield			United		
	Verity	Market	% Difference	Verity	Market	% Difference	Verity	Market	% Difference
SFMC	193%	223%	-15%	193%	226%	-17%	198%	237%	-20%
SVMC	139%	206%	-48%	156%	202%	-29%	139%	195%	-40%
OCH	164%	237%	-44%	229%	244%	-6%	151%	242%	-60%
SMC	207%	252%	-22%	235%	254%	-8%	228%	262%	-15%
SLRH	202%	280%	-38%	204%	280%	-37%	159%	289%	-82%
Average			**-34%**			**-20%**			**-43%**

b. Labor Rates.

100. Payroll costs in the last twelve months have increased nearly $65,000,000 partially related to Verity's union contracts (~5% increases year over year forward).

c. Pension Obligations.

101. Under the Pension Plans (as defined above), there are expected pension funding requirements in the next year of over $66 million. Only ~$20M relates to current year costs. In other words, most is funding the underfunded status of the plans.

d. IT Investment.

102. VHS' system requires IT investment in the amount of nearly $50 million over the next year alone. There is outdated electronic health records and enterprise resource planning (i.e., human resources, supply chain management, inventory management, etc.). Further, VHS needs significant upgrades to its IT assets in order to modernize its Hospitals and remain able to continue providing quality patient care services. For example, VHS needs to (i) immediately replace its outdated local area and wireless networking equipment with modern equipment to enable reliable access by all VHS system users (estimated cost $15 million over a one-year implementation period), (ii) replace VHS' obsolete clinical systems — including its medical record systems and financial systems — in order to provide up-to-date patient records, improved clinical planning, care management, and better charge control (estimated cost $220 million over a period of two years), and (iii) replace and upgrade such other information technology hardware and software, including for imaging clinics, that are necessary for operating a full range of healthcare services.

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e. Seismic and Energy Requirements.

103. The Verity system requires seismic and energy expenditures of over $150 million over the next few years. By way of example, there are significant improvements (including demolishment of certain buildings) required by 2020 to St. Vincent Medical Center, Seton Medical Center, and O'Connor Medical Center. There are additional improvement required by 2030 to St. Vincent, Seton Medical Center, O'Connor Medical Center, and St. Louise Regional Hospital. These seismic improvement deadlines are part of the conditions imposed by the Attorney General in the BlueMountain Transaction, as well as mandated by the California Office of Statewide Health Planning and Development (OSHPD).

f. Medical Equipment.

104. The Verity system requires over $100 million in medical equipment expenditures over a period of several years.

C. Working Capital Shortages.

105. The Debtors, like other hospitals serving similar communities, rely on HQAF, DSH and other government support to help bridge the gap between what they get reimbursed by Medicare and Medi-Cal and their cost of providing care. The Hospital Quality Assurance Fee (HQAF), established in 2010, provides funding for supplemental payments to California hospitals that serve Medi-Cal and uninsured patients. The program has been very successful, providing billions of dollars in supplemental payments to California hospitals. The Medicare and Medi-cal programs also provide funding to hospitals that treat indigent patients through the Disproportionate Share Hospital (DSH) programs, under which facilities are able to receive at least partial compensation. Under the Patient Protection and Affordable Care Act of 2010 (ACA, P.L. 111-148, as amended), Congress would have reduced federal DSH allotments beginning in 2014, to account for the decrease in uncompensated care anticipated under health insurance coverage expansion. However, several pieces of legislation have been enacted since 2010 have since delayed the ACA's Medicaid DSH reduction schedule. Unfortunately, both HQAF and DSH have proven difficult to rely on, as payments are reduced and delayed.

106. Relying on the HQAF payments has led to working capital shortages due to delays

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in approval and receiving less than expected amounts. For example:

- *14-Month Delay*: QAF 5 FFS (service period 1/1/17 –6/30/19) was not approved until Dec. 2017 and the Debtors did not start receiving payments until the end of Feb. 2018 (14-month delay);
- *Potential 24 Month Delay*: QAF 5 HMO is likely not going to be approved until the end of 2018 (potentially a 24-month delay on receiving funds);
- *Receiving less than Expected*: through the first 4 cycles of QAF 5 FFS, the Debtors have received anywhere from 69.2-93.9% of expected payments.

D. Attorney General Requirements.

107. As set forth above, as part of approving the Restructuring Agreement, the AG placed certain operational restrictions on VHS and each of the Hospitals, which include certain minimum annual requirements for charity care, community benefits, and capital expenditures among other mandates. Taken separately, most of these conditions would not have contributed to the Debtors' failure to thrive. However, the cumulative effect of the conditions was to lock the Debtors into a failing business model, dictating both minute details of business operations, as well as denying the Debtors the ability to repurpose facilities. For example, SMC could better serve the community by operating as a much-needed long-term post-acute care facility, rather than as one of the many acute care hospitals in a saturated service area.

108. The AG's conditions also compelled the expenditure of millions of dollars to provide charity care even though the number of uninsured people in California has steadily decreased since passage of the Affordable Care Act. Also, as a result of a shortfall in the fiscal year 2017 charity care requirement for certain hospitals, VHS was required to make an additional contribution to the Retirement Plans of $7,619,000 in October 2017.

109. The AG's conditions denied the Debtor the benefits of the marketplace. For example, the conditions required Verity to enter into contracts with certain entities. Because those entities were well aware of the AG's requirement that Verity contract with them or be in default, Verity had no bargaining power with those entities or payors.

E. Increased Cap Volumes.

110. The Debtors have capitation contracts with health plans. Capitation is a flat periodic payment per enrollee paid to a healthcare provider; it is the sole reimbursement for

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providing services to a defined population. Under capitation, fixed payments are made to providers regardless of the volume of services rendered, so providers like the Debtors bear the risk that the costs of providing service, including opportunity costs (profits), might exceed the capitation payment. Capitation completely reverses the actions that providers must take to ensure financial success; under capitation, the keys to profitability are to work more efficiently and decrease volume. The Debtors have seen a significant increase in volume from capitated populations and therefore are bearing the loss from that increased volume.

IV. Corporate And Capital Structure

A. Corporate Structure.

111. As set forth above, VHS is a California nonprofit public benefit corporation and the sole member of O'Connor Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Business Services, Verity Medical Foundation, Verity Holdings, LLC, and DePaul Ventures, LLC.

112. As set forth above, each Debtor Hospital is the sole member of the Debtor nonprofit public benefit corporation that handles its fundraising and grant-making programs: St. Francis Medical Center Foundation, St. Vincent Foundation, Seton Medical Center Foundation, Saint Louise Regional Hospital Foundation, and O'Connor Hospital Foundation (collectively, the "Philanthropic Foundations").

113. St. Vincent Medical Center is the sole Member of St. Vincent Dialysis Center, Inc.

114. VHS is the sole member of DePaul Ventures, LLC. DePaul Ventures, LLC, is the sole Member of DePaul Ventures-San Jose ASC, LLC, and of DePaul Ventures-San Jose Dialysis, LLC.

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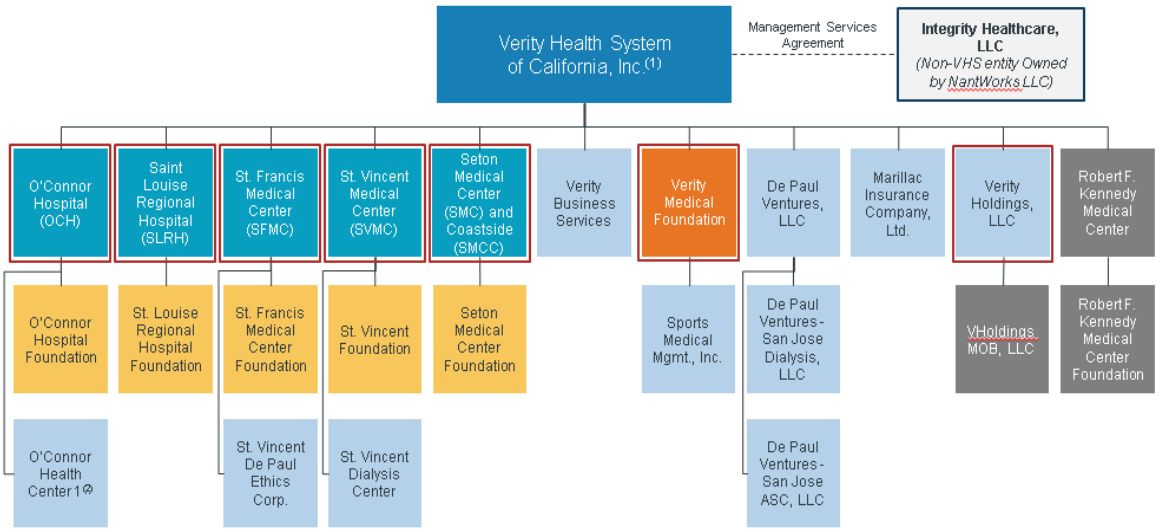
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115. The following graphic depicts Verity's prepetition organizational structure:



116. Each Debtor entity has its own management and governance structure. Under the leadership of the Daughters of Charity, each Hospital operated independently except that all employees were under the same pension plans. After the transition of operations and leadership to VHS, there has been a systemizing of operations, so that functions that were being performed at each of the Debtors are being transitioned and performed by VHS and being standardized, such as pharmacy operations, credentialing, IT, case management, etc.

117. As set forth above, VMF offers medical, surgical and related healthcare services for people of all ages at community-based, multi-specialty clinics conveniently located in areas served by Verity hospitals. The following graphic depicts VMF's structure that is comprised of, among other things, professional service agreements with seven medical groups that provide physicians to VMF's clinics:

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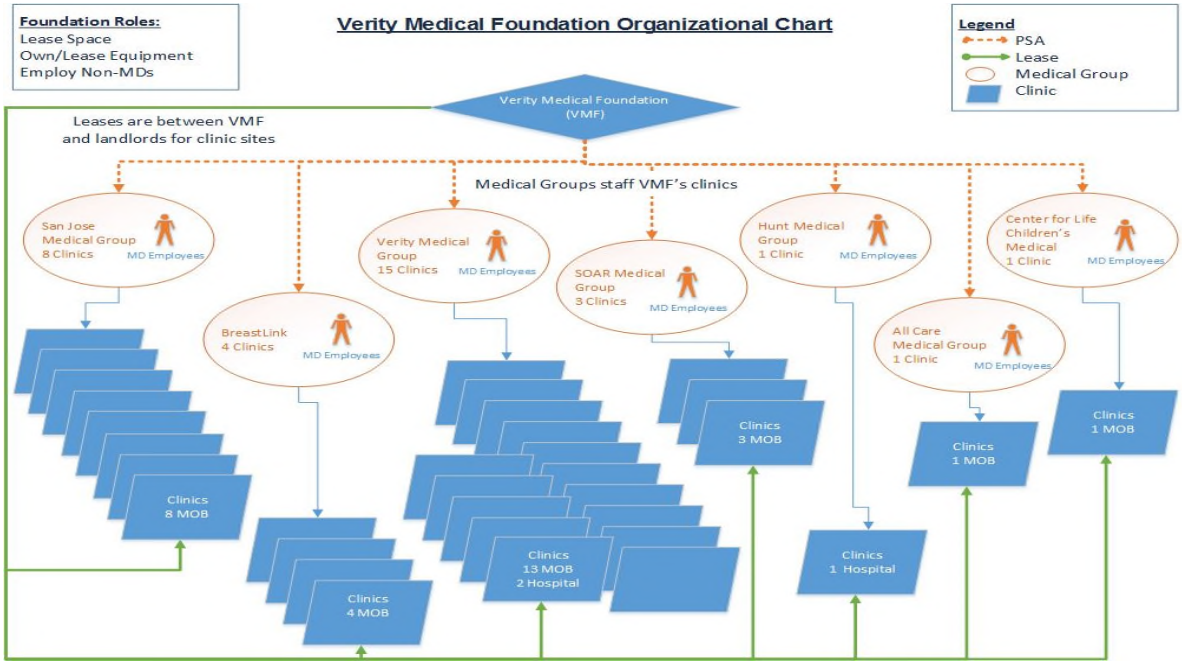
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118. As stated above, I am the CEO. The remainder of the senior management follows:

Name	Position
Chief Financial Officer	Anita Chou
Chief Operating Officer	Anthony Armada
Chief Medical Officer	Tirso del Junco, Jr. M.D.

119. VHS is governed by a 7-member Board (the "VHS Board of Directors"), the membership of which follows:

Name	Position
Dr. Ernest Agatstein	Director
James Barber	Director
Terry Belmont	Secretary
Jack Krouskup	Chairman
Charles B. Patton	Director
Christobel Selecky	Director
Andrew Pines	Vice Chair

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120. Verity Holdings, LLC, De Paul Ventures, LLC, and De Paul - San Jose Dialysis, LLC, are all limited liability companies that do not have Boards of Directors. The sole Member of Verity Holdings, LLC, and De Paul Ventures, LLC, is VHS. The sole member of De Paul Ventures - San Jose Dialysis, LLC, is De Paul Ventures, LLC. I am the President and Eleanor Ramirez and Art Huber were appointed Vice Presidents of Verity Holdings, LLC, on November 17, 2017. I am the managing member for De Paul Ventures, LLC. Dr. Tirso del Junco, Jr., is the managing member for De Paul Ventures - San Jose Dialysis, LLC.

B. Capital Structure.

121. As more fully set forth in the declaration of Anita Chou in support of the Debtors' *Emergency Motion Of Debtors For Interim And Final Orders (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*, VHS, Verity Business Services ("VBS"), the Hospitals, and one operating division are jointly obligated parties on approximately $461.4 million of outstanding secured debt consisting of: (a) $259.4 million outstanding tax exempt revenue bonds, Series 2005 A, G and H issued by the California Statewide Communities Development Authority (the "2005 Bonds"), which loaned the bond proceeds to VHS to provide funds for capital improvements and to refinance certain tax exempt bonds previously issued in 2001 by the DCHS, a religious not-for-profit enterprise and VHS's reorganization predecessor; and (b) $202 million outstanding tax exempt revenue notes, Series 2015 A, B, C, and D and Series 2017 issued by the California Public Finance Authority, which loaned the proceeds to VHS to provide working capital (the "Working Capital Notes"). Wells Fargo Bank, N.A. ("Wells Fargo") is the Bond Trustee and UMB Bank National Association ("UMB Bank") is the successor Master Trustee and for the prepetition secured 2005 Bonds. U.S. Bank, National Association ("U.S. Bank") is the Note Trustee and also the Collateral Agent for the Working Capital Notes.

122. Except for the taxable Series 2015C Working Capital Notes, the 2005 Bonds and the Working Capital notes are all tax exempt, meaning interest on the bonds is not taxable to the holders so long as the issuer maintains its qualified tax exempt status and the proceeds of the

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bonds were used for the tax exempt purposes for which they were originally intended. The Series 2005 A Bonds are comprised four term bonds maturing on July 1, 2024, 2030 and 2035 bearing interest at 5.75% (Series 2005A-2024), (Series 2005A-2030), (Series 2005A-2035) and one maturing July 1, 2039 bearing interest at 5.50% (Series 2005A-2039). The Series 2005G term bond matures on July 1, 2022 and bears interest at 5.50%. The Series 2005H- term bond matures on July 1, 2025 and bears interest at 5.75%. The Working Capital Notes mature on June 10, 2019 (Series 2015A, Series 2015B, Series 2015C and Series 2015D) and on December 10, 2020 (Series 2017A, 2017B). Series 2015A and B and Series 2017 and 2017B bear interest at 7.25%, while the Series 2015D carries an 8.75% interest rate and Series 2015C accrues interest at 9.5%.

123. As set forth above, Holdings, a direct subsidiary of its sole member Verity, was created in 2016 to hold and finance Verity's interests in six medical office buildings whose tenants are primarily physician and other practicing medical groups and certain of the Verity Hospitals. Holdings is the borrower on approximately of $66 million on two series of non-recourse financing secured by separate deeds of trust, revenue and accounts pledges, including lease rents on each medical buildings (collectively "MOB Financing"). The MOB Financings bear interest at a variable interest rate based on equal to One Month LIBOR plus a spread of 5.0% with a floor of 6.23%. The secured lenders for the MOB Financings are affiliates of NantWorks, LLC, which is an affiliate of Integrity.

124. During May 2017, the California Statewide Communities Development Authority issued $20 million of limited obligation tax exempt bonds, pursuant to the CaliforniaFIRST Clean Fund Program in five series all with the same maturity date of September 2, 2047 (the "Clean Fund Bonds") as the conduit issuer for the benefit and obligation of Verity. The purpose of the bond funding was to assist with clean energy construction efforts of the Seaton Medical Center and are secured by Seton Medical Center's voluntary agreement to special tax assessments by Daley City. No other Debtor is liable for repayment of the Clean Fund Bonds. Wilmington Trust National Association ("WTNA") is the Trustee holding the construction funds, and a pre funded capitalized interest fund and is the collateral agent for collection of the special tax assessments for use in paying interest and principal on the Clean Fund Bonds. Interest on the Clean Fund Bonds

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accrues at 6.4%. The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the Clean Fund Bonds.

125. Also in September 2017, the California Statewide Communities Development Authority issued a single series $20 million of limited obligation tax exempt bonds pursuant to the CaliforniaFIRST Program for the purpose of assisting with clean energy and seismic improvement construction at Seton Medical Center ("NR2 Petros Bonds"). The NR2 Petros Bonds also mature on September 2, 2047, but carry an interest rate of 6.45%. The NR2 Petros Bonds are also California tax exempt and are secured by a special Daly City tax assessment on Seton Medical Center property. No other Debtor is liable for repayment of the NR2 Petros Bonds. The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the NR2 Petros Bonds. WTNA is the Trustee holding the seismic improvement funds, as well as a pre-funded interest payment fund.

126. NantCapital also provided $40 million of unsecured debt financing for Verity as reflected in two $20 million unsecured notes (the "Unsecured Notes"). The Unsecured Notes are balloon notes with interest and principal payable at maturity in 2020 and carry annual compounded interest rates of 7.25%.

C. Unsecured Debt.

127. The Debtors have approximately $500 million in total unsecured debt, including disputed, unliquidated or contingent claims, which are comprised of claims made by vendors of goods and services, cost report payables, pension obligations, management fees, and incurred but not reported third party claims.

V. Sale Efforts

128. Prior to the Petition Date, the Debtors engaged in substantial efforts to market and sell their assets. In June 2018, the Debtor engaged Cain Brothers, a division of KeyBanc Capital Markets ("Cain"), to identify potential buyers of some or all of the Verity hospitals and related assets and commenced discussions with those potential buyer.

129. Cain prepared a Confidential Investment Memorandum (the "CIM") and organized an online data site to share information with potentially buyers and contacted over 110 strategic

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and financial buyers beginning in July 2018 to solicit their interest in exploring a transaction regarding the Debtors and has advanced significantly towards achieving sales.

130. In August 2018, as a result of its ongoing and broad marketing process, Cain has received 11 Indications of Interest ("IOI") to date, and expects to receive additional proposals on or near the end of August. Shortly after the Petition Date, the Debtors, in consultation with Cain and its other advisors, anticipate selecting an offer from one or more stalking horse bidder(s) to acquire some or substantially all of the Debtors' assets through a sale under § 363 of the Bankruptcy Code.

V. First-Day Pleadings

131. The Debtors request that the relief described below in the First-Day Motions be granted, as each request constitutes a critical element in achieving the successful restructuring of the Debtors for the benefit of its patients, creditors and the communities they serve.

A. Administrative Motions.

132. In the *Motion of Debtors for Entry of an Order Directing the Joint Administration of their Related Chapter 11 Cases* (the "Joint Administration Motion"), the Debtors request entry of an order directing joint administration of these chapter 11 cases for procedural purposes pursuant to Bankruptcy Rule 1015(b) and that the Court maintain one file and one docket for all of the chapter 11 cases under the lead case, Verity Health System of California, Inc.

133. Joint administration of the chapter 11 cases will provide significant administrative efficiencies without harming the substantive rights of any party in interest. Many of the motions, hearings and orders that will be filed in the chapter 11 cases almost certainly will affect each of the Debtors. The entry of an order directing joint administration of the chapter 11 cases will reduce fees and costs by avoiding duplicative filings, objections, notices, and hearings, and will allow all parties in interest to monitor the chapter 11 cases with greater ease and efficiency. The relief requested in the Joint Administration Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and will enable the Debtors to continue to operate their businesses in chapter 11 with the least disruption.

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134. In the *Ex Parte Motion For Entry Of Order Extending Time To File Schedules Of Assets And Liabilities, Schedules Of Executory Contracts And Unexpired Leases, And Statements Of Financial Affairs* (the "Schedules and SOFA Motion"), as set forth in the declaration of Anita M. Chou, the Debtors request entry of an order granting additional time to file their schedules of assets and liabilities, schedules of executory contracts and unexpired leases, and statements of financial affairs. As a consequence of the size and complexity of the Debtors' business operations, the number of creditors likely to be involved in these chapter 11 cases, the numerous critical operational matters that the Debtors' management and employees must address, a 30-day extension (without prejudice to further extensions) is necessary and appropriate.

135. In the *Debtors' Emergency Motion (A) Approving the Debtors Filing a Consolidated List of Fifty Largest General Unsecured Creditors For All Cases; (B) Approving The Debtors Filing A Consolidated Master Mailing Matrix For All Cases; and (C) Permitting the Debtors' Claims And Noticing Agent To Maintain The Master Mailing Matrix*, the Debtors seek entry of an order approving each Debtor having filed in its respective case: a consolidated list of the fifty largest general unsecured creditors for all eighteen Debtors and a consolidated Master Mailing Matrix for all 17 Debtors; and permitting the Debtor's claims and Noticing Agent (Kurztman Carson Consultants) to maintain and update the Master Mailing Matrix. There are 17 entities that are Debtors in these chapter 11 cases. As of the Petition Date, the Debtors estimate that they have over $1 billion in liabilities and they have over 20,000-40,000 potential creditors and parties in interest (on a consolidated basis) in these chapter 11 cases. Many of the Debtors' creditors overlap. As such, requiring the Debtors to prepare individual Top 20 Lists of Creditors and individual Mailing Matrixes for each Debtor would be an exceptionally burdensome task and would greatly increase the risk and recurrence of error of information already on computer systems maintained by the Debtors or their agents.

B. Operational Motions Requesting Immediate Relief.

136. The Debtors intend to ask for immediate relief with respect to the following First Day Pleadings and, therefore, will present these motions at the First Day Hearing.

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a. Emergency Motion Of Debtors For Interim And Final Orders (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 (the "Cash Collateral/DIP Motion").

137. By way of the Cash Collateral/DIP Motion, and as set forth in the Declaration of Anita M. Chou (the "Chou Declaration"), Chief Financial Officer of VHS ("Chou Decl."), in support of the Cash Collateral/DIP Motion, the Debtors move, on an emergency basis, for entry of an interim order (substantially in the form attached as Exhibit "A" to the Chou Declaration, the "Interim Order") and a final order (the "Final Order" and together with the Interim Order, the "DIP Orders") (i) (a) authorizing the Debtors to enter into a senior secured, superpriority debtor in possession financing facility with Ally Bank, a subsidiary of Ally Financial, Inc., (the "DIP Lender"), in an (a) interim amount not to exceed $30,000,000 and only as needed to avoid immediate and irreparable harm, and (b) after a final hearing, amount up to $185,000,000 (as amended, modified or otherwise in effect from time to time, the "DIP Facility"), substantially on the terms set forth in the Chou Declaration and the Debtors In Possession Facility Agreement, attached as Exhibit "1" to the proposed Interim Order (as amended, supplemented, or otherwise modified and in effect from time to time, the "DIP Facility Agreement," and together with all other agreements, documents, notes, certificates, and instruments executed and/or delivered with, to or in favor of the DIP Lender, (the "DIP Financing Agreements"), and (b) granting the DIP Liens and the DIP Superpriority Claims (in each case, as defined below); (ii) authorizing the interim use of Cash Collateral (as defined below) on the terms set forth in the Interim Order; (iii) granting "adequate protection" to UMB Bank, N.A., as successor Master Trustee for the Prepetition Secured Revenue Bonds, Series 2005 A, G and H ("2005 Bonds") , U.S. Bank National Association ("U.S. Bank"), as the Collateral Agent and Note Trustee for the Series 2015 A, B, C, and D and the Series 2017 A and B Revenue Notes (collectively, the "Working Capital Notes") and MOB Financing LLC and MOB Financing II LLC as holders of security interests in Verity Holdings prepetition accounts, including rents arising from the prepetition MOB Financing (described below) in the form of Adequate Protection Payments and Replacement Liens, each as defined in the Chou Decl.; (iv) modifying the automatic stay as imposed by section 362 of the

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Bankruptcy Code to the extent necessary to implement and effectuate the terms of the DIP Facility and the DIP Orders; and (v) scheduling an interim hearing to approve the proposed Interim Order and a final hearing with respect to the relief requested herein (the "Final Hearing").

138. Each Debtor has all requisite corporate power and authority to execute and deliver the DIP Financing Agreements to which it is a party and to perform its obligations thereunder.

139. Absent granting emergency access to the Debtors' cash collateral, the Debtors will not be able to made payroll or meet other obligations critical to the maintenance of safe facilities and the delivery of effective acute care services for its patients and staff during the week ending September 7, 2018. Absent emergency access to postpetition financing, the Debtors will lose vendor support for critical postpetition deliveries of goods and services further burdening the Debtors use of cash. Absent entry of an interim order granting the requested relief, the very existence of the Hospitals will be threatened and the ability of the Hospitals to survive as long term going concerns, whether or not owned by the Debtors, will be irreparably harmed.

b. Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directing The Applicable Bank To Pay All Checks And Electronic Payment Requests Made By The Debtors Relating To The Foregoing; Memorandum Of Points And Authorities In Support Thereof (the "Wage Motion").

140. By the Wage Motion, the Debtors move the Court for entry of an order (i) authorizing the Debtors, in their discretion, to (a) pay prepetition employee wages and salaries, and (b) pay and honor employee benefits and other workforce obligations (including remitting withholding obligations, maintaining workers' compensation and benefits programs, paying related administration obligations, making contributions to retirement plans, and paying reimbursable employee expenses) (collectively, the "Employee Obligations"); and (ii) authorizing and directing the applicable bank to pay all checks and electronic payment requests made by the Debtors relating to the foregoing.

141. Wages. The Employees are paid their wages and salaries (the "Wages") bi-weekly, in arrears, either five or six days after the end of every 14-day pay period, through direct deposit or by check. The Debtors' average bi-weekly gross payroll is approximately

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$25,394,994, which includes approximately $463,907 for executive payroll, $3,726,816 for withholding obligations (relating to various taxes, claims and other obligations) and $208,476 for retirement plan contribution matching. Under a bifurcated, constant pay cycle, Employees were last paid on August 24 and 30, 2018. The next routine payroll dates covering all Employees' accrued and unpaid prepetition Wages are scheduled for September 7, 13 and 14, 2018, and expected to include approximately $15,353,375 that is attributable to prepetition Wages (the "Requested Prepetition Payroll"), which the Debtors seek authority to pay by the Wage Motion. The Debtors do not believe payments of Wages to any individual Employee will exceed the $12,850 cap under § 507(a).

142. Withholding and Union Obligations. In the ordinary course of their business, the Debtors routinely withhold from the Wages certain amounts that the Debtors are required to transmit to third parties for purposes such as Social Security and Medicare, federal and state or local income taxes, contributions to the Debtors' benefit plans, savings and retirement plan contributions, union claims, garnishment, child support or other similar obligations pursuant to court order or law (collectively, the "Withholding Obligations"). The Debtors owe approximately $3,726,816 for Withholding Obligations in connection with the Requested Prepetition Payroll, which the Debtors seek authority to pay by the Wage Motion. The Debtors are also required to make certain Union-specific contributions, which are currently accrued and unpaid in the amount of $85,089 on account of prepetition Wages, which the Debtors seek authority to pay by the Wage Motion.

143. Bonuses. Certain Employees are eligible to receive sign-on, retention and incentive bonuses. Payout opportunity is based on Employee position, title and location (i.e., Hospital or Systems Office). The Debtors do not, by the Wage Motion, seek permission to pay any bonuses to continuing Employees but do seek the authority, in the Debtors' discretion, to pay the Employees for contractually agreed bonuses that accrued within the 180 days prior to the Petition Date when their services with the Debtors are terminated so long as the total of the payments already then made for prepetition Employee Obligations and the bonuses does not exceed the statutory limit for priority claims of $12,850.

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144. Reimbursement Obligations. The Debtors customarily reimburse Employees who incur business expenses in the ordinary course of performing their duties on behalf of the Debtors. Such expenses typically include, but are not limited to, business-related travel expenses (including mileage), business meals, relocation allowances, tuition reimbursement, and other items specified in the CBAs. Based on historical experience, the Debtors anticipate that, as of the Petition Date, the Debtors owe an estimated $30,200 in Reimbursement Obligations to their Employees, which they seek authority to pay by the Wage Motion. The Debtors further seek to continue to pay Reimbursement Obligations incurred postpetition in the ordinary course of the Debtors' business.

145. Paid Time Off and Extended Sick Leave. Full-time and part-time Employees become eligible to receive employment benefits beginning the first of the month following 30 days of employment (when they become "Eligible Employees"). *Per diem* Employees are not Eligible Employees. The Debtors provide Eligible Employees with Paid Time Off ("PTO") and Extended Sick Leave ("ESL"), which are accrued annually and in increasing rates over successive years. PTO is time off due to vacation, holiday, personal or incidental sick time. ESL kicks in (a) immediately where the Eligible Employee is admitted for surgery, (b) after a 3-day waiting period for a workers' compensation injury, and (c) after a 7-day waiting period if workers' compensation is not implicated. As of the Petition Date, the Debtors are carrying approximately $36.6 million on their books for 789,942 hours of accrued and unused PTO. Eligible Employees are permitted to cash out their unused PTO on one or two occasions during the year depending on the relevant Hospital or CBA. As of the Petition Date, the Debtors are carrying approximately $17.5 million on their books for 372,000 hours of accrued and unused ESL. Some CBAs permit Eligible Employees to cash out a portion of their unused ESL at retirement. By the Wage Motion, the Debtors seek authority to honor their existing PTO and ESL policies to the extent it would permit continuing Employees to use their prepetition accrued leave in the ordinary course of business, and going forward. The Debtors are not, by the Wage Motion, seeking permission to cash out any accrued and unused PTO or ESL of continuing Employees but do seek the authority, in the Debtors' discretion, to pay the Employees for unused PTO and/or ESL, as permitted per

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Hospital policy and relevant CBA terms, that accrued within the 180 days prior to the Petition Date so long as the total of the payments for prepetition Employee Obligations does not exceed the statutory limit for priority claims of $12,850.

146. Health Benefits. The Debtors offer Eligible Employees the opportunity to participate in a number of insurance and benefit programs, including, among other things, medical, dental and vision plans, life insurance, short-term and long-term disability insurance, workers' compensation, retirement plans and other insurance plans and benefits. As of the Petition Date, the Debtors owed (a) approximately $3,162,816 to Healthnow as third-party administrator on account of accrued and unpaid prepetition claims against the self-insured medical plans; (b) approximately $48,060 to Cigna and Delta Dental for accrued and unpaid prepetition claims against the self-insured dental plans; (c) approximately $60,150 to VSP for accrued and unpaid prepetition claims on account of the self-insured vision plans. By the Wage Motion, the Debtors seek authority to pay these prepetition claims. The Debtors believe that they are current on the administration fees and premiums related to the health plans to pay their portion of any premiums or administration fees for the health plans that accrued and remain unpaid as of the Petition Date, and to turn over to Blue Shield of California any amounts sufficient to satisfy the portion of the accrued and unpaid prepetition premiums to be paid by the Employees in connection with the payment of the Wages and Withholding Obligations. By the Wage Motion, the Debtors also seek authority to continue to pay, in their discretion and in the ordinary course of their business, the administration fees, premiums for and claims under the health plans incurred postpetition. The Debtors further seek, by the Wage Motion, to continue to perform any obligations under Continuation Health Coverage (COBRA) in respect to former employees.

147. Life, Disability and Workers' Compensation. The Debtors offer Eligible Employees premium-based group life insurance and accidental death and dismemberment insurance ("AD&D") through UNUM; premium based short term ("STD") and long term disability coverage ("LTD") through Cigna; workers' compensation insurance through Old Republic Insurance; and an employee assistance program through Optum. The Debtors are also are obligated to Cigna on account of claims under the Federal Medical Leave Act (FMLA) and

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California Family Rights Act (CFRA). The Debtors believe that they are current on all the above mentioned insurance policies and claims obligations. To the extent they are not, however, the Debtors seek authority, by the Wage Motion, in their discretion, to pay any accrued and unpaid prepetition premiums and related charges and to continue these benefits postpetition and to deliver the Employees' portion of any accrued and unpaid prepetition premiums to the corresponding administrators.

148. Retirement Plans. As described in further detail above, the Debtors offer eligible Employees the opportunity to participate in various retirement plans, including defined benefit plans and defined contribution plans. By the Wage Motion, the Debtors seek authority to pay their matching contributions that accrued and remain unpaid as of the Petition Date for the retirement plans and to deliver the Employee contributions in connection with the payment of Wages and Withholding Obligations described above. The Debtors also seek authority, by the Wage Motion, to continue to pay, in their discretion and in the ordinary course of their business, matching contributions for the retirement plans incurred postpetition.

149. Miscellaneous Plans. The Debtors also offer their eligible Employees the opportunity to participate in a "Cafeteria Plan" through Alliant Choice Plus, which includes voluntary critical care insurance, pet insurance, auto and home insurance. The healthcare reimbursement account and dependent care reimbursement account are administered through Healthnow, and long-term care is administered through UNUM. All of these programs are 100% funded by the Employees and are paid for through payroll deductions. By the Wage Motion, the Debtors request authority to continue to honor these programs, in their discretion, and to continue distributing to third-parties the payments for these programs in connection with the payment of Wages and Withholding Obligations as described above, including the distributions of payments that are for prepetition amounts due.

150. The Debtors believe that substantially all of its Employees rely exclusively on their compensation to pay their daily living expenses. Also, the Employee Benefit Programs are a critical component of the Employees' total compensation package. It is imperative to the accomplishment of the Debtors' goals in this case that the Debtors minimize any adverse impact

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of the chapter 11 filing on the Debtors' workforce, patients, operations, and orderly administration of these Cases. Any disruption to payment of the payroll in the ordinary course, or to the continued implementation of employee programs in the Debtors' discretion, would adversely affect the Debtors' goals in this case because such events are likely to cause some employees to terminate their employment with the Debtors, will cause employees to be distracted from their duties to care for the patients, and will hurt employee morale at a particularly sensitive time for all employees. Failure to honor the Employee Obligations could have severe repercussions on the Debtors' ability to preserve its assets and administer its estate, to the detriment of all constituencies. Accordingly, as set forth in the Wage Motion, the Debtors request authority to continue paying the Employees and administering the Employee Benefit Programs and any obligations related to the foregoing (subject to the Budget and any applicable payment caps) in the ordinary course of business.

c. Emergency Motion Of Debtors For Authority To: (1) Continue Using Existing Cash Management System, Bank Accounts And Business Forms; (2) Implement Changes To The Cash Management System In The Ordinary Course Of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority For Postpetition Intercompany Claims; And (5) Obtain Related Relief; Memorandum Of Points And Authorities In Support Thereof (the "Cash Management Motion").

151. By the Cash Management Motion, the Debtors move the Court for the entry of an order authorizing them, subject to the terms of the DIP Orders and DIP Financing Agreements to: (1) continue to use their cash management system, including the continued maintenance of their existing bank accounts (three of which include passive investing) and business forms; (2) implement changes to their cash management system in the ordinary course of business, including opening new or closing existing bank accounts; (3) continue to perform under and honor intercompany transactions in the ordinary course of business, in their business judgment and at their sole discretion; (4) provide administrative expense priority for postpetition intercompany claims, all as set forth in more detail below; and (5) obtain related relief.

152. The Debtors further request, by the Cash Management Motion, that the Court authorize the financial institutions at which the Debtors maintain various bank accounts to (a) continue to maintain, service and administer the Debtors' bank accounts, and (b) debit the bank

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accounts in the ordinary course of business on account of (i) wire transfers or checks drawn on the bank accounts, or (ii) undisputed service charges owed to the banks for maintenance of the Debtors' cash management system, if any.

153. The Debtors currently have 63 accounts (the "Accounts") with five commercial banks and one investment bank (collectively the "Banks"). The Debtors request authority to continue utilizing the Accounts, subject to the terms of the DIP Orders and DIP Financing Agreements. Requiring the Debtors to close certain of the Accounts and open new ones will disrupt the Debtors' cash flow – and, ultimately, impact patient care – because (i) the depositors (some of which are governmental agencies) will not respond quickly to the change and will likely continue to send deposits to the original deposit account, and (ii) the Debtors have certain obligations (including for debt, pension and defined contribution) that they pay exclusively by electronic funds transfer and changes to the payment accounts have the potential of slowing down these crucial payments. Closing the Accounts will also increase the work of the Debtors' accounting personnel, who are already dealing with the many and varied issues related to these Cases. Closing the Accounts and opening new ones under the circumstances described in the corresponding Memorandum of Points and Authorities would needlessly cost the Debtors time and money at a time when they are trying to conserve both, and would result in no discernible benefit to the Debtors' bankruptcy estates.

154. The Debtors also request in the Cash Management Motion authority to continue using their business forms without the designation "Debtors in Possession" on them *for a limited time*. The Debtors' forms are either electronically printed or can be electronically altered. The Debtors seek the authority of this Court to utilize their electronically generated forms without the "Debtors in Possession" designation until the adjustments to the software can be initiated and existing stock is exhausted.

155. Subject to the DIP Orders and DIP Financing Agreements, by the Cash Management Motion, the Debtors request that the Court authorize them to continue using their cash management system in connection with the continued use of Accounts and continued use of

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the Debtors' business forms; in furtherance thereof, the Debtors further request that the Court authorize and direct the Banks to continue honoring the Debtors' transactions.

d. Emergency Motion Of Debtors For Order (A) Prohibiting Utilities From Altering, Refusing, Or Discontinuing Service And (B) Determining Adequate Assurance Of Payment For Future Utility Services (the "Utilities Motion").

156. By the Utilities Motion, the Debtors move the Court for the entry of an order authorizing them to (i) prohibiting utilities (collectively, the "Utility Companies" and individually, a "Utility Company") from altering, refusing, or discontinuing service without further order of the Court; and (ii) determining adequate assurance of payment for future utility services. The Debtors receive essential utility services from several Utility Companies. Furthermore, the Debtors seek a determination that: (i) a deposit made by the Debtors to each Utility Company in an amount equal to the average monthly invoice for prepetition services provided to the Debtors by such Utility Company (the "Deposit"); (ii) the ability of any Utility Company to obtain an initial hearing on the adequacy of the Deposit; and (iii) the ability of any Utility Company to obtain an expedited hearing regarding further adequate assurance if the Debtors fail to cure a post-petition payment default within twenty (20) days after written notice of such default, constitute adequate assurance of payment for future utility services.

157. As life-saving medical service providers, the Debtors are situated in a vulnerable position—without the continual flow of vital services of Utility Companies, the mission of the Debtors' business would unravel, irreparably harming the Debtors and their patients who seek medical care in the hospitals, medical centers, and clinics operated by the Debtors. Thus, I believe that in order to ensure the timely and proper care of the patients and maintain ongoing business operations, it is imperative the Debtors are able to rely on a consistent supply of these services.

158. Specifically, uninterrupted electricity, gas, telephone, and similar services are essential to the Debtors' provision of medical services to the Debtors' patients. Any interruption, however brief, to utility services to the Debtors' business will result in a serious disruption of the Debtors' business operations and dramatically affect patient care. Therefore, I believe that it is critical that the Court prohibit the Utility Companies from altering, refusing or discontinuing service to the Debtors without further order of this Court. The Deposit for each of the Utility

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Companies, coupled with the streamlined mechanism for requesting further adequate assurance will provide adequate assurance of payment to the Utility Companies as well as safeguard the Debtors' continuing operations.

159. The Debtors are current on payment to the Utility Companies. Further, the Debtors have sufficient cash to pay their postpetition utility bills as they come due and have specifically budgeted for such payments in the Debtors' operating budget submitted in connection with the Debtors' Cash Collateral Motion.

e. Debtors' Emergency Motion For Entry Of An Order Authorizing Debtors To Honor Prepetition Obligations To Critical Vendors (the "Critical Vendors Motion").

160. By the Critical Vendors Motion, the Debtors move the Court for the entry of an order authorizing, but not directing, the Debtors to continue to pay and/or honor the prepetition claims, up to $20 million (the "Critical Vendor Cap"), with (i) an interim amount of up to $5 Million, and (ii) an additional amount of up to $15 Million, of their most critical vendors, in the Debtors' discretion and in the ordinary course of the Debtors' business, pursuant to a carefully-designed Protocol (defined below) overseen by a core, centralized team consisting of senior members of Debtors' management and professional advisors, and subject to the terms and conditions. The Debtors will suffer irreparable harm without the relief requested in Critical Vendors Motion.

161. As life-saving medical service providers, the Debtors are situated in a vulnerable position in that their entire mission would immediately unravel, irreparably harming the Debtors and their patients without the continual flow of vital medical services, medical supplies, medical equipment, physicians, nurses, nurse practitioners, physicians assistants, professional technicians such as, imaging technicians, surgical technicians, sterile processing technicians and interim clinical/management staff, coders, admission department staff, as well as non-medical services, information technology support, and/or benefits.

162. Additionally, local, state, and federal law places certain compliance requirements on the Debtors. For example, as the operator of hospitals licensed under California state law and certified to participate in the Medicare and Medicaid programs, the Debtors must comply with all

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hospital licensing and certification requirements, including those found in the Health and Safety Code and in Title 22 of the California Code of Regulations, as well as the applicable Medicare conditions of participation and corresponding Medicaid requirements. In addition to complying with these overarching requirements, the Debtors must monitor and comply with all of the other licensing and operational requirements that apply to the different service lines and programs offered by the hospitals, including, for example, those applicable to the hospital pharmacies and laboratories. These extensive, comprehensive requirements can only be fulfilled through continued, uninterrupted access to various goods and services. Thus, in order to ensure the timely and proper care of the patients and maintain ongoing business operations, it is imperative the Debtors are able to rely on a consistent, quality supply of various physicians, nurses, nurse practitioners, physicians assistants, professional technicians such as, imaging technicians, surgical technicians, sterile processing technicians and interim clinical/management staff, coders, admission department staff, as well as certain medical supplies, medical equipment, and services provided by vendors, suppliers and/or service-providers that are "critical" to the Debtors' businesses (the "Critical Vendors").

163. The Debtors' Critical Vendors include the following categories of providers: (i) uncompensated care contract physicians and on-call coverage physicians (collectively, the "Uncompensated Care and On-Call Coverage Physicians"); (ii) medical directors (the "Medical Directors"); (iii) medical staff officers and leadership positions ("Medical Leadership"); (iv) physicians providing teaching services ("Physician Educators"); (v) medical services providers (the "Medical Services Providers"); (vi) medical supplies and medical equipment providers (collectively, the "Medical Supplies and Equipment Providers"); (vii) medical staffing agencies and hospital-based services providers (collectively, the "Clinical Staffing"); (viii) non-medical services providers (the "Non-Medical Services Providers"); (ix) information technology services providers (the "IT Services Providers"); and (x) various employee benefits providers (the "Benefits Providers").

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164. The Debtors require the use of various physicians, the Uncompensated Care and On-Call Coverage Physicians, who provide care to patients who lack the ability to compensate the Debtors for their medical treatment (individually, "Uncompensated Care Contract Physicians") and the physicians who provide on-call services to cover the Debtors' daily on-call needs (individually, "On-Call Coverage Physicians"), all in order to ensure patient care. The Uncompensated Care Contract Physicians routinely provide the following vital services: (i) Emergency Room coverage; (ii) surgical procedures for any Patient who is uninsured or underinsured; (iii) psychiatry; and (iv) cardiac services. The On-Call Coverage Physicians make themselves available to the Debtors for certain periods of time to ensure that a specialist is available at all times for emergency situations, including such emergent conditions as cardiac arrest and immediate trauma. The On-Call Coverage Physicians routinely provide the following areas of expertise: (i) urology; (ii) general surgery; (iii) orthopedics; (iv) cardiology; (v) neurosurgery; (vi) thoracic surgery; (vii) cardiac surgery; (viii) radiation oncology; (ix) neurology, (x) psychiatry; (xi) nephrology; (xii) gastroenterology; (xiii) pediatric surgery; and (xiv) obstetrics.

165. Due to the strong economy and the tight labor market for professionals with expertise, Uncompensated Care and On-Call Coverage Physicians have a vast array of working opportunities available to them, and to the extent the Debtors are unable to ensure payment for prepetition claims, these Uncompensated Care and On-Call Coverage Physicians will work at other hospitals, resulting in a devastating impact on patient care and irreparable harm to the smooth transition into chapter 11 and preservation and maximization of value for the benefit of the Debtors' creditors.

166. Further, the Debtors require the use of various physicians who serve as Medical Directors. As Medical Directors, it is their responsibility to ensure the hospital runs smoothly and efficiently and according to local, state, and federal mandates in order to ensure patient care. These Medical Directors supervise and coordinate the On-Call Coverage Physicians, provide vital operating and administrative services, such as (i) the Long Term & Sub-Acute Unit; (ii) Advanced Wound Care; (iii) the Comprehensive Spine Care Program; (iv) the Stroke Program;

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(v) Cardiac & Pulmonary Rehabilitation; (vi) Oncology; (vii) Non-Invasive Cardiology; (viii) Radiation Therapy; (ix) the Intensive Care Unit and Neonatal Intensive Care Unit; (x) the Antimicrobial Stewardship Program; (xi) Interventional Neurology; (xii) the Bioethics Program; (xiii) the Catherization Laboratory; (xiv) the Skilled Nursing Facility, the Stroke Program; (xv) Thoracic Surgery; (xvi) the Dialysis Center; and (xvii) Nuclear Medicine and Vascular Laboratory. They also are vital for program quality, oversight, and risk management. There are approximately 60 physicians serving as Medical Directors. Similar to the Uncompensated Care and On-Call Coverage Physicians. I believe they also are vital for program quality, oversite, and risk management. There are approximately 68 physicians serving as Medical Directors.

167. Similar to the Uncompensated Care and On-Call Coverage Physicians, and due to the strong economy and the low labor market for professionals with expertise, Medical Directors are in demand and have a vast array of working opportunities available to them. To the extent the Debtors are unable to ensure payment for prepetition claims to Medical Directors, these Medical Directors will work at other hospitals, resulting in a devastating impact on patient care and irreparable harm to the smooth transition into chapter 11 and preservation and maximization of value for the benefit of the Debtors' creditors.

168. Debtors require the use of various physicians who serve as medical staff officers and in other leadership positions, as required by each Hospital's accreditation with The Joint Commission (the "TJC"). Medical Leadership includes the Chiefs of Staff and all Department Chairs required by each of the Debtors' Medical Staff Bylaws, and by Title 22, including physician oversight for cardiology, pulmonary, laboratory, stroke, and ST-elevation myocardial infarction departments. The Chief Medical Officers are essential to ensure quality and risk oversight. Without these physicians, who I believe can easily find competitive opportunities elsewhere, the Debtors' day-to-day programs will cease to function, resulting in a significant impact on patient care and other irreparable harm to the Debtors' Chapter 11 Cases.

169. The Debtors require the use of various physicians, the Physician Educators, who provide teaching services in the Debtors' graduate medical education (the "GME") program, a legal requirement with which the Debtors must comply. The GME program simultaneously

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provides: (i) training for interns, residents, and fellows until they become independent and licensed practitioners; and (ii) access to healthcare for elderly and impoverished patients. Physician Educators are in high demand because the State of California mandates that every teaching hospital support the efforts to provide access to high quality healthcare to its most vulnerable population. To maintain Level 2 Trauma status, the Debtors must maintain the GME program. Therefore, the Physician Educators are vital to maintaining the Debtors' teaching hospital status and affording access to healthcare, both of which are key to the Debtors' Patient care, ongoing operations, and/or potential sale of its assets for the benefit of its creditors and the Estates.

170. Debtors require the use of various Medical Services Providers, including, but not limited to, those who provide services such as surgical anesthesia coverage, organ harvesting and organ matching services, medical equipment sanitization, diagnostic interventional cardiology services, interventional neuroradiology, imaging services, advanced wound care, pathology and laboratory services, dialysis services, lithotripsy services, sterile compounding services, rehabilitation staffing and management services, subacute management services, psychiatric management services, hospitalist services, intensivist program services, medical screening services, and medical instrument repair services. These services are vital to the Debtors' day-to-day operations, in particular with regard to Patient care, and the Debtor will suffer immediate irreparable harm should the Court not grant the Debtors' request to include the Medical Services Providers as Critical Vendors.

171. Debtors require the use of various medical supplies and medical equipment from the Medical Supplies and Equipment Providers, including, but not limited to, blood and plasma, heart valves, coronary intervention products, defibrillators, laparoscopic and minimally invasive surgical supplies, neurosurgical supplies and neurology devices, other surgical medical products, bone substitute biologics, regenerative vascular grafts, vaccinations and other pharmaceuticals, nuclear medicines, medical gases, anesthesia medical equipment, laboratory medical supplies, radiation equipment, gastrointestinal supplies, cochlear implants, orthopedic implants, spinal implants, intraocular lenses and ophthalmology supplies, sterilization equipment and products,

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and fetal monitoring systems. Equipment includes medical equipment rentals, biomedical repair tools and equipment, patient beds and stretchers, vital sign monitoring, infusion pumps, medication supply stations, gastro-intestinal lab equipment, cardiac catherization lab equipment, operating room equipment, imaging equipment, laboratory equipment, pharmacy dispensing equipment, and transplant program equipment. The medical supplies and medical equipment the Debtors receive from the Medical Supplies and Equipment Providers are vital to the Debtors' day-to-day operations, to maintain Patient care, and the Debtors will suffer immediate irreparable harm should the Court not grant the Debtors' request to include the Medical Supplies and Equipment Providers as Critical Vendors.

172. The Debtors also require the Clinical Staffing, which are various medical groups, staffing agencies, and other hospital-based services providers, to meet critical thresholds of physicians, nurses, nurse practitioners, physicians assistants, professional technicians such as, imaging technicians, surgical technicians, sterile processing technicians and interim clinical/management staff, coders, and admission department staff servicing patients in emergency and non-emergency room situations. The provision of physicians, nurses, professional technicians such as, imaging technicians, surgical technicians, sterile processing technicians and interim clinical/management staff, coders, and admission department staff is vital to service the Debtors' six active emergency rooms, trauma center, and the multiple medical specialty units providing tertiary and quaternary care.

173. Additionally, regarding the provision of nurses, the staffing supplementation is essential because: (1) California has a mandatory statutory nurse to patient ratio, and so the Debtors are required by law to meet certain ratios in order to operate on a daily basis; and (2) it is difficult to recruit experienced staff—as opposed to recent graduates—for short-term assignments. Indeed, these staffing agencies provide the requisite "registry" nurses who take short single-day assignments and "traveler" nurses who take longer-term assignments to fill in during busier seasons—*e.g.*, flu season—and understaffed periods—*e.g.*, during nurses strikes of represented nurses—where the Debtors may not otherwise have sufficient numbers of nurses between their core and per diem nurses.

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174. Moreover, many of the Clinical Staffing who provide physicians, nurses, nurse practitioners, physicians assistants, professional technicians such as, imaging technicians, surgical technicians, sterile processing technicians and interim clinical/management staff, coders, and admission department staff to the Debtors will not staff the Debtors' business if there is any interruption or delay in the payment of the amounts due to them. Given the Debtors' reliance on the medical services provided by the Clinical Staffing to provide Patient care and otherwise fulfill the Debtors' daily medical services needs, and the fact that the Clinical Staffing can simply shift their services to a medical services company, it is crucial that the Debtors be authorized to pay any prepetition amounts due to the Clinical Staffing as Critical Vendors in the ordinary course of business.

175. The Debtors require use of Non-Medical Services Providers, including, but not limited to, those who provide services such as payroll tax services, financial audit services, billing services, cost reporting services, revenue cycle management services, consulting and education services for various required national, state, and local accreditations and mandates, environmental services, record retention services, building maintenance services, medical equipment maintenance services, management services, and other similar services, as well as to seismic contractors. Seismic contractors are designers, engineers, suppliers and constructors who are engaged in the statutory work of retrofitting hospital structures to meet the SB1953 and subsequent amendments that are required to be completed by December 31, 2019. Delay of the projects will cause the Debtors to miss the regulated deadlines, risking the Debtors' California Department of Public Health license and suspension of such. These non-medical services are vital to the Debtors' day-to-day operations, particular with regard to Patient care, and the Debtor's ability to comply with regulatory requirements set by the State of California legislature, and the Debtor will suffer immediate irreparable harm should the Court not grant the Debtors' request to include the Non-Medical Services Providers as Critical Vendors.

176. The Debtors require use of various IT Services Providers who provide information technology services, including, but not limited to, those who provide services such as diagnostic technology, interoperability between devices, risk management and software services, revenue

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cycle management billing software and services, teleradiology services, customer relationship management, networking solutions services, multi-function copiers, voice over internet protocol system services, hosting services for applications, and point of care data management system services. Critical patient care systems such as electronic health record systems and enterprise resource planning systems must be maintained to ensure continuity and Patient care. I believe these information technology services are vital to the Debtors' day-to-day operations, in particular with regard to Patient care, and the Debtor will suffer immediate irreparable harm should the Court not grant the Debtors' request to include the IT Services Providers as Critical Vendors.

177. The Debtors require certain Benefits Providers because the Debtors have incentivized their employees to continue working through the continuation of company-subsidized benefits, such as workers compensation, medical, dental, vision, short term and long term care, leave of absence, and life insurance. If the Debtors are not permitted to pay any prepetition premium amounts due to these Benefits Providers, the employees' insurance coverage will be jeopardized and the employees will likely seek employment elsewhere. Specifically, I believe any disruption to payment of the employee benefits in the ordinary course (and in the Debtors' discretion), would adversely affect the Debtors' goals in this Case because such events are likely to cause some employees to terminate their employment with the Debtors, will cause all employees to be distracted from their duties to care for the patients and the operations of the hospitals, and will inevitably hurt employee morale at a particularly sensitive time for all employees, resulting in severe repercussions on the Debtors' ability to provide Patient care, and to preserve their assets and administer the Estates, to the detriment of all constituencies. Since the Debtors do not have the ability to quickly or cost-effectively replace their employees who provide vital medical and non-medical services on a daily basis, it is critical that the Debtors be allowed to continue these benefits in order to retain their employees and maintain their business operations to preserve the full value of their assets for the benefit of their creditors. Therefore, the Court should include Benefits Providers as Critical Vendors.

178. I, along with the Debtors, am mindful of the Debtors' fiduciary obligations to seek to preserve and maximize the value of their Bankruptcy Estate. To that end, the Debtors and their

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advisors have engaged in an intense process of reviewing and analyzing the Debtors' books and records, consulting operations management and purchasing personnel, reviewing contracts and supply agreements, and analyzing applicable laws, regulations, and historical practices to identify business relationships—which, if lost, could materially harm the Debtors' patients, the Debtors' businesses, reduce their enterprise value, and/or impair their restructuring process—all in an effort to identify only those most critical vendors using their business judgment (the "Protocol"). Such Protocol is on-going; however, the amounts proposed to be paid to the Critical Vendors are already provided for in the Debtors' operating budget submitted in connection with the Debtors' Cash Collateral Motion.

179. Indeed, during the Protocol process, the Debtors and I have deemed certain vendors as critical because each of these Critical Vendors meets the following criteria: (a) the vendor is essential to patient care, supports maintaining the Debtors' business in full compliance with California's Title XII requirements for operating general acute care hospitals in the state of California, and allows the Debtors to maintain their business postpetition until reorganization and/or sale of the Debtors' assets for the benefit of creditors; (b) the vendor is indispensable for providing vital goods or services, replacing said vendor would be prohibitively expensive, or said vendor is otherwise critical to prevent the diversion of management and key personnel to solicit other vendors to provide comparable goods or services and to prevent other unnecessary distraction during the extensive transitional period; (c) the vendor holds an unpaid prepetition claim for the provision of goods or services; (d) the vendor will refuse to deliver goods or provide services without payment of the prepetition claim and the automatic stay imposed by section 362(a) will be inadequate to address the issue; (e) cash on delivery is unlikely to provide the requisite incentive for the vendor to continue providing goods or services; (f) the Debtors lack a long-term contractual relationship with the vendor that would oblige the vendor to continue the prepetition relationship, and the Debtors are otherwise without adequate leverage to compel performance on commercially reasonable terms; and (g) the Debtors will suffer immediate and irreparable harm if the vendor is not specially incentivized to continue providing goods or services. The Debtors will use commercially reasonable efforts to require the vendor to sign a

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postpetition agreement with normalized terms and conditions that contractually bind the vendor to continue providing goods and services postpetition.

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Executed this 31st of August 2018, at Los Angeles, California.

Richard G. Adcock

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☐ *Individual appearing without attorney*
☒ *Attorney for:* Verity Health Systems of California, Inc.

FOR COURT USE ONLY

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - **SELECT DIVISION**

In re:
Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital. St Francis Medical Center, St Vincent Medical Center, Seton Medical Center, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St Vincent Foundation, St Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, Verity Medical Foundation, Verity Holdings LLC, DePaul Ventures, LLC, DePaul Ventures - San Jose Dialysis, LLC

Debtor(s).

CASE NO.:

CHAPTER: 11

STATEMENT REGARDING CASH COLLATERAL OR DEBTOR IN POSSESSION FINANCING [FRBP 4001; LBR 4001-2]

DATE: 09/05/2018
TIME: 10:00 a.m.
COURTROOM: 1568
ADDRESS: 255 E. Temple Street
Los Angeles, CA 90012

Secured party(ies): US Bank, as 2015 and 2017 Note Trustee, UMB Bank as Master Trustee, Verity MOB Financing LLC and Verity MOB Financing II LLC, Wilmington Trust NA as Pace Bond, Petros2 Bond Trustee

The Debtor has requested the approval of either (1) a motion for use of cash collateral, or postpetition financing, or both, or (2) through a separately-filed motion, a stipulation providing for the use of cash collateral, or postpetition financing, or both. The proposed form of order on the motion or the stipulation contains the following provisions or findings of fact:

Disclosures Tracking FRBP 4001(c)(1)(B)(i) through (xi) and (d)(1)(B)	Page No.:	Line No. (if applicable)
☒ (i): "[A] grant of priority or a lien on property of the estate under § 364(c) or (d)"	23	4
☒ (ii): "[T]he providing of adequate protection or priority for a claim that arose before the commencement of the case, including the granting of a lien on property of the estate to secure the claim, or the use of property of the estate or credit obtained under § 364 to make cash payments on account of the claim"	24	2
☒ Cross-collateralization, *i.e.*, clauses that secure prepetition debt by postpetition assets in which the secured party would not otherwise have a security interest by virtue of its prepetition security agreement or applicable law	24	2
☐ Roll-up, *i.e.*, provisions deeming prepetition debt to be postpetition debt or using postpetition loans from a prepetition secured party to pay part or all of that secured party's prepetition debt, other than as provided in § 552(b)		

Continued from page 1 ☒ Grant a replacement lien in an amount in excess of the dollar amount of the lien on cash collateral as of the petition date	24	2
☐ (iii): "[A] determination of the validity, enforceability, priority, or amount of a claim that arose before the commencement of the case, or of any lien securing the claim"		
☒ (iv): "[A] waiver or modification of Code provisions or applicable rules relating to the automatic stay" ☒ Automatic relief from the automatic stay upon occurrence of certain events.	28	8
☐ (v): "[A] waiver or modification of any entity's authority or right to file a plan, seek an extension of time in which the debtor has the exclusive right to file a plan, request the use of cash collateral under § 363(c), or request authority to obtain credit under § 364"		
☒ (vi): "[T]he establishment of deadlines for filing a plan of reorganization, for approval of a disclosure statement, for a hearing on confirmation, or for entry of a confirmation order"	28	12
☒ (vii): "[A] waiver or modification of the applicability of nonbankruptcy law relating to the perfection of a lien on property of the estate, or on the foreclosure or other enforcement of the lien"	23	3
☒ (viii): "[A] release, waiver, or limitation on any claim or other cause of action belonging to the estate or the trustee, including any modification of the statute of limitations or other deadline to commence an action"	27	15
☒ (ix): "[T]he indemnification of any entity"	27	15
☒ (x): "[A] release, waiver, or limitation of any right under § 506(c)" ☐ The granting of any lien on any claim or cause of action arising under § 506(c)	23	4
☐ (xi): "The granting of any lien on any claim or cause of action arising under §§ 544, 545, 547, 548, 549, 553(b), 723(a), or 724(a)"		
Additional Disclosures Required by LBR 4001-2	**Page No.:**	**Line No. (if applicable)**
☒ With respect to a professional fee carve out, disparate treatment for professionals retained by a creditors' committee from that provided for the professionals retained by the debtor	22	13
☐ Pay down prepetition principal owed to a creditor		
☐ Findings of fact on matters extraneous to the approval process		

08/31/2018 Samuel R. Mazel _____
Date *Printed Name* *Signature*

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: Dentons US LLP, 601 South Figueroa Street, Suite 2500, Los Angeles, California 90017-9924.

A true and correct copy of the foregoing document entitled: **STATEMENTREGARDING CASH COLLATERAL OR DEBTOR IN POSSESSION FINANCING [FRBP 4001; LBR 4001-2]** 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*) 08/31/2018, 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:
None.

☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:
On (*date*) _____, 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.
List of 50 largest unsecured creditors via first class mail (See attached list)

☒ 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*) 08/31/2018, 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.
Office of the United States Trustee via Hand Delivery to:
McDermott Will & Emory (Attn: Nathan Coco) via email:
Mintz Levin et al (Attn: Dan Bleck) via email
California Attorney General (Attn: ---) via email

☒ 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.

08/31/2018		
Date	*Printed Name*	*Signature*

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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *ET AL.*, Debtors.	Case 2:18-bk-20151-ER Jointly Administered Chapter 11 Cases **COMBINED RESERVATION OF RIGHTS OF U.S. BANK NATIONAL ASSOCIATION, AS SERIES 2015 NOTE TRUSTEE AND AS SERIES 2017 NOTE TRUSTEE, TO EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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**

U.S. Bank National Association, not individually but in its respective capacities as Series 2015 Note Trustee ("*2015 Note Trustee*") and as Series 2017 Note Trustee ("*2017 Note Trustee*" and together, the "*Notes Trustee*"), hereby submits this combined reservation of rights with respect to the *Emergency Motion of Debtors for Interim and Final Orders (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* [Docket No. 31] (the "*DIP Motion*") and respectfully states as follows:

I. Jurisdiction and Venue

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

II. Background

3. The 2015 Note Trustee represents the interests of the holders of the $160,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015 A, B, C, and D (collectively, the "*2015 Notes*") and the 2017 Note Trustee represents the interests of the $42,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017 A and B (collectively, the "*2017 Notes*" and, together with the 2015 Notes, the "*Notes*").

4. The 2015 Notes were issued in four series pursuant to Indentures dated as of December 1, 2015, and the 2017 Notes were issued in two series pursuant to Indentures dated as of September 1, 2017 and December 1, 2017, each made by and between the Notes Trustee as trustee and the California Public Finance Authority as issuer (the "*Authority*").

5. The proceeds of each series of Notes were loaned to the Debtors pursuant to (i) Loan Agreements dated as of December 1, 2015, with respect to the 2015 Notes, and (ii) Loan Agreements dated as of September 1, 2017 and December 1, 2017, with respect to the 2017 Notes, each between the Authority and Verity Health System of California, Inc. ("*VHS*"), for itself and as a representative of the Verity Health System Obligated Group under

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the Master Indenture of Trust dated as of December 1, 2001, as supplemented (the "*Master Indenture*"), between the Obligated Group and UMB Bank, N.A., as successor Master Trustee.[1]

6. The indebtedness evidenced by the Notes is jointly secured by senior first priority security interests and liens on certain of the Debtors' assets, including (x) Accounts[2] of St. Francis Medical Center, St. Vincent Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and Seton Medical Center, including Seton Medical Center Coastside (each a "*Hospital*" and collectively, the "*Hospitals*") and (y) real property and certain personal property comprising St. Francis Medical Center and Saint Louise Regional Hospital (collectively, the "*Senior Note Collateral*").[3]

7. The Notes are also jointly secured on a parity basis with the collateral pledged to the other Obligations under the Master Indenture, including the Series 2005 Bonds.[4] Those Obligations are secured by, *inter alia*, (i) Deeds of Trust on the Hospitals and (ii) the "Gross Revenues" of the Obligated Group, which is broadly defined to include "all revenues, income, receipts and money received by or on behalf of the Members from all sources" (collectively,

[1] Capitalized terms used but not defined herein shall have the meanings given to them in the Motion. The Obligated Group consists of VHS and the Hospitals.

[2] "'Accounts" includes, collectively, (a) any right to payment of a monetary obligation whether or not earned by performance, that relates to or arises out of any services provided or goods rendered by an Obligated Group Member (including, without limitation, payments made by or through a governmental authority to an individual patient assigned to such Member), (b) without duplication, any 'account' (as defined in the Uniform Commercial Code) ("*UCC*"), any accounts receivable, whether in the form of payments for services rendered or goods sold, rents, license fees or otherwise, any Health-Care-Insurance Receivables and any Payment Intangibles (each as defined in the UCC), (c) all General Intangibles, Intellectual Property (each as defined in the UCC), rights, remedies, guarantees, supporting obligations and letter of credit rights relating to or arising out of the foregoing assets described in clauses (a) and (b), (d) all information and data compiled or derived by any Member or to which any Member is entitled in respect of or related to the foregoing assets described in clauses (a) and (b) and (e) and all proceeds of any of the foregoing. *See* Amended and Restated Supplemental Master Indenture Number 20 dated as of January 1, 2016, between VHS and the prior Master Trustee.

[3] The Senior Note Collateral was pledged pursuant to (i) certain Security Agreements dated as of December 11, 2015 and Amended and Restated Security Agreements dated as of September 1, 2017, between the members of the Obligated Group and the Notes Trustee and (ii) certain Deeds of Trust with Fixture Filing and Security Agreement and Assignment of Leases and Rents dated as of December 11, 2015 and Amended and Restated Deeds of Trust with Fixture Filing and Security Agreement and Assignment of Leases and Rents dated as of September 15, 2017, by the members of the Obligated Group in favor of the Notes Trustee.

[4] In addition to the Notes, the Obligations also include the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005A, F, G and H (the "*Series 2005 Bonds*").

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the "*MTI Collateral*").[5]

8. The indebtedness evidenced by the 2017 Notes is additionally secured by a Deed of Trust with Fixture Filing and Security Agreement and Assignment of Rents and Leases, dated September 15, 2017, as amended, (the "*Moss Deed of Trust*") granted by Verity Holdings LLC on certain real estate and related property located in San Mateo County, California. (the "*Moss Property*").

9. Pursuant to that certain Intercreditor Agreement dated as of December 1, 2015, as amended by the Amended and Restated Intercreditor Agreement dated as of September 1, 2017, as further amended by the Second Amended and Restated Intercreditor Agreement dated as of December 1, 2017 (as amended, the "*Intercreditor Agreement*"), the Master Trustee subordinated its liens and security interests, including the Gross Revenue pledge, to the Notes Trustee with respect to the Senior Note Collateral.

10. The Senior Note Collateral, the MTI Collateral and the Moss Deed of Trust include "cash collateral" (the "*Cash Collateral*") as defined in section 363(a) of Title 11 of the United States Code (the "*Bankruptcy Code*").

11. On August 31, 2018 (the "*Petition Date*"), VHS and the above-captioned affiliated debtors (collectively, the "*Debtors*"), each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code, commencing the above-captioned chapter 11 cases (the "*Cases*"). Since the commencement of the Cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code. To date, no official committee or examiner has been appointed by the Office of the United States Trustee in these Cases.

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[5] *See* Master Indenture § 1.01 ("'Gross Revenues' means all revenues, income, receipts and money received by or on behalf of the Members from all sources, including (a) gross revenues derived from their operation and possession of each Member's facilities; (b) gifts, grants, bequests, donations and contributions, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Required Payments; (c) proceeds derived from (i) condemnation proceeds, (ii) accounts receivable, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical reimbursement programs and agreements, (vi) insurance proceeds and (vii) contract rights and other rights and assets now or hereafter owned by each Member; and (d) rentals received from the lease of office space.").

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12. On the Petition Date, the Debtors filed the DIP Motion in order to obtain (i) post petition financing, (ii) authorization to use Cash Collateral, and (iii) approval of the adequate protection proposed therein. The Motion seeks approval of post petition debtor-in-possession financing (the "DIP Facility") in an aggregate principal amount of up to $185,000,000, with up to $30,000,000 to be advanced during the interim period. This includes upwards of $20,000,000 in critical vendor payments and $5,720,000 in capital expenditures which the Debtors seek to make within the first 30 days of the case.

III. Reservation of Rights

13. Subject to acceptable protections that the 2015 Note Trustee and the 2017 Note Trustee are entitled to receive as perfected prepetition secured creditors, including without limitation, adequate protection for priming liens being granted to the DIP Facility lender and the use of Cash Collateral, they both support entry of an order approving the DIP Facility and the Debtors' use of Cash Collateral. The Notes Trustee acknowledges that the Debtors face a serious liquidity crisis and urgently require some level of debtor-in-possession financing and use of Cash Collateral on an interim basis.

14. The Notes Trustee has engaged in discussions with the Debtors regarding, among other things, the proposed amount and uses of the DIP Facility, the proposed budget, and adequate protection issues. Those discussions have been productive, and have helped narrow the scope of open issues. While the Notes Trustee is hopeful that continued discussions may resolve its remaining concerns, it reserves all rights and objections with respect to both interim and final relief on the Motion. The Notes Trustee intends to work with the Debtors to address, among other things, the below-described areas.

15. **The Proposed Amount of the DIP Facility.** The Notes Trustee wants to make sure that the amount of money borrowed by the Debtors on an interim basis is truly necessary and the Debtors' longer term borrowing and related budgets include input from the Notes Trustee prior to the final hearing, and periodically thereafter. For example, the proposed authorization for up to $20,000,000 in critical vendor payments seems extraordinary, and the Debtors have not yet demonstrated that such a large allocation is truly "critical" or appropriate.

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Also, given that the Debtors' facilities are being marketed for sale, the Debtors should be required to demonstrate why it is necessary or appropriate for the Debtors to allocate $8,367,000 toward capital expenditures in the first 13-week period of the case – $5,720,000 in the first 30 days – which may largely benefit the eventual purchasers of the facilities but not the Debtors' estates or their senior secured creditors.

16. **Respect for the Separateness of the Debtors' Bankruptcy Estates.** The interim and final orders on the Motion need to include protections that respect the separateness of each bankruptcy estate, including separate budgets for borrowings and repayments of the DIP Facility and the use of Cash Collateral. Each Hospital is a distinct entity with its own operations, assets, and creditors. Some Hospitals, such as the St. Francis Medical Center on which the Notes Trustee has priority liens, are cash flow positive and may not even utilize the DIP Facility. The DIP Facility may be disproportionately used for the benefit of Hospitals that have negative cash flows and cannot operate without access to external liquidity. Thus, the Debtors should be required to account for and report on their use of the DIP Facility on an entity-by-entity basis.

17. **Adequacy of Notes Trustee Replacement Liens**. The Debtors correctly acknowledge that they are required to provide adequate protection to their prepetition secured creditors, and propose to do so, in part, in the form of replacement liens if a prepetition secured creditor suffers a diminution in the value of its collateral as a result of the priming liens granted to the DIP Lender. The Notes Trustee anticipates that the sale proceeds of the two most cash flow positive Hospitals, St. Francis Medical Center and Saint Louise Regional Hospital, in which the Notes Trustee holds senior liens, may be used in whole or in part to repay the DIP Facility. If this occurs, the Notes Trustee needs by the time of the final hearing to have a better understanding of whether replacement liens will be adequate to address such a potentially large diminution in the value of its Cash Collateral in the context of the anticipated liquidation process. The Notes Trustee continues to work with the Debtors to make this assessment, both with respect to the interim DIP Facility and the balance of the DIP Facility.

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LOS ANGELES

18. **Appropriate Agreed Upon Conditions to the Use of Cash Collateral.** The Notes Trustee is seeking some additional limited projections with respect to the Debtors' use of the Cash Collateral. The Notes Trustee expects at the interim hearing to consent to the Debtors' use of case collateral until the final hearing. Prior to the final hearing, the Notes Trustee wants to reach a broader set of agreements and limitations that would be included in a Cash Collateral stipulation or final order on the Motion, including, without limitation, sale milestones, termination rights, and financial reporting requirements.

19. **Loss of Prepetition Priority of Moss Boulevard Deed of Trust**. The 2017 Note Trustee holds the only lien in the Moss Property under the Moss Deed of Trust. The proposed interim order on the Motion does preserve the relative priority of the Notes Trustee and the Master Trustee as provided in the Intercreditor Agreement, but does not preserve the relative prepetition priority of the 2017 Note Trustee in the Moss Property. The Notes Trustee has suggested language for the interim order on the Motion to clarify that the prepetition priority status of the Moss Deed of Trust will not be primed by Replacement Liens. Based on its discussions with the Debtors, the Notes Trustee believes that the Debtors are amenable to including this language in a revised form of interim order to be filed with the Court.

20. **Adequate Protection of Notes Trustee Fees and Expenses**. In the Motion, the Debtors propose to limit the adequate protection payment of the Notes Trustee's fees and expenses to out-of-pocket expenses incurred with respect to *one* law firm and *one* financial advisor. However, the 2015 Notes and the 2017 Notes were issued under separate indentures; they have separate trustees; they have distinct governance prerogatives; and they have some separate collateral rights. The Notes Trustee has discussed with the Debtors its position that there is no justification for limiting U.S. Bank to one counsel with respect to both sets of trusteeships, and requested that any order on the Motion should provide for payment of all reasonable fees and expenses of the 2015 Note Trustee and 2017 Note Trustee, respectively, to the extent provided by the terms of the underlying Indentures. The Notes Trustee believes that the Debtors are amenable to including language to this effect in a revised form of interim order to be filed with the Court.

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21. Subject to the foregoing, the Notes Trustee looks forward to achieving a consensual Interim Order and thereafter a consensual Final Order. The Notes Trustee will continue its good faith efforts to resolve its concerns through its ongoing dialogue and negotiation with the Debtors and continued analysis and due diligence. Nonetheless, the Notes Trustee hereby expressly reserves all of its rights, claims, objections, and remedies, including the right to amend, modify, or supplement this reservation of rights, to seek discovery, to raise additional objections and to introduce evidence at the interim and final hearings on the Motion, on any grounds, as may be appropriate. Further, the Notes Trustee further reserves its right to amend or supplement this reservation of rights, based upon any facts or arguments that come to light prior to the hearing on these issues.

Dated: September 4, 2018

MCDERMOTT WILL & EMERY LLP

By: /s/ Jason D. Strabo
Jason D. Strabo

MASLON LLP

By: /s/ Clark T. Whitmore
Clark T. Whitmore

Attorneys for U.S. Bank National Association, not individually but as Series 2015 Note Trustee and Series 2017 Note Trustee, respectively

DM_US 155279491-1.066372.0010

McDermott Will & Emery LLP
Attorneys at Law
Los Angeles

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:

McDermott Will & Emery LLP
2049 Century Park East, 38th Floor
Los Angeles, CA 90067-3218

A true and correct copy of the foregoing document entitled COMBINED RESERVATION OF RIGHTS OF U.S. BANK NATIONAL ASSOCIATION, AS SERIES 2015 NOTE TRUSTEE AND AS SERIES 2017 NOTE TRUSTEE, TO EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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 September 4, 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:

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United States Trustee (LA)
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Hatty K Yip on behalf of U.S. Trustee United States Trustee (LA)
hatty.yip@usdoj.gov

☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:
On _____, I served [or will serve] 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 _____, 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.

☐ 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.

September 4, 2018		/s/ Jason D. Strabo
Date	*Jason D. Strabo*	*Signature*

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Judge Ernest M. Robles **NOTICE OF FILING REVISED [PROPOSED] INTERIM 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; AND BLACKLINE REFLECTING THE DEBTORS PROPOSED CHANGES TO ORDER**[1] EMERGENCY HEARING: Date: September 5, 2018 Time: 10:00 a.m. Place: Courtroom 1568
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

[1] Filed Pursuant to LBR 2081-1(a)(9) and 9075-1(a).

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PLEASE TAKE NOTICE that on August 31, 2018, Verity Health System of California, Inc. ("***VHS***"), and the above-referenced affiliated debtors, the Debtors and Debtors in possession (the "***Debtors***") in the above-captioned chapter 11 cases (the "***Cases***") filed the *Emergency Motion of Debtors for Interim and Final Orders (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* [Docket No. 31] (the "***Motion***").

PLEASE TAKE FURTHER NOTICE that attached as **Exhibit A** is a copy of the revised proposed Interim DIP Order, which reflects changes made to the proposed Interim DIP Order. Attached hereto as **Exhibit B** is a blackline version showing the changes between the Interim DIP Order as originally filed and as revised.

Dated: September 5, 2018

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SAMUEL R. MAIZEL
JOHN A. MOE, II
TANIA MOYRON

By /s/ Samuel R. Maizel
Samuel R. Maizel

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Judge Ernest M. Robles **INTERIM 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**
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

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Upon the emergency motion (the "***DIP Motion***")[1], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") authorizing the Debtors to, among other things: *inter alia*:

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

(ii) Enter into a Debtor-in-Possession Credit Agreement (the "***DIP Credit Agreement***"), substantially in the form attached hereto as **Exhibit 1**, and other related financing documents (together with the DIP Credit Agreement and DIP Security Agreement, the "***DIP Financing Agreements***"), by and among each of the Debtors and Ally Bank ("***Ally***"), in its capacity as agent ("***DIP Agent***") and in its capacity as lender ("***DIP Lender***,") under the DIP Credit Agreement;

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

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(iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements, postpetition financing of up to $30,000,000 on a revolving basis (the "***Interim DIP Loan***") and seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this Interim Order;

(iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition financing of up to an additional $155,000,000, for a total of up to $185,000,000, on a revolving basis, which includes the Interim DIP Loan (the "***Final DIP Loan***," and together with the Interim DIP Loan, the "***DIP Loan***") and seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and the Final Order (as defined below);

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

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

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

(viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in accordance with the proposed initial agreed budget covering the initial 13 week period (the "***Initial Agreed Budget***") a copy of which is attached to the Chou Decl. [Docket No. 32] as **Exhibit 2**, and as otherwise provided in the DIP Financing Agreements, this Interim Order and the Final Order;

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(ix) Provide adequate protection to certain of the Prepetition Secured Creditors (defined herein) pursuant to the terms of this Interim Order and the Final Order for any diminution in value of their respective interests in the Prepetition Collateral (as defined herein) resulting from the DIP Liens (as defined herein) on the Prepetition Collateral, subordination to the Carve Out (as defined herein), Debtors' use of Cash Collateral, and other decline in value arising out of the automatic stay or the Debtors' use, sale, depreciation, or disposition of the Prepetition Collateral;

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

(xi) Schedule a final hearing (the "***Final Hearing***") to consider entry of an order (the "***Final Order***") granting the relief requested in the DIP Motion on a final basis and approving the form of notice with respect to the Final Hearing; and

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

The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief Financial Officer filed in support of the DIP Motion and Rich Adcock, CEO filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Motion, the proposed DIP Credit Agreement, and any the exhibits attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the hearing on this Interim Order (the "***Interim Hearing***"); and due and proper notice of the DIP Motion and Interim Hearing having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under the circumstances; and the Interim Hearing having been held and concluded; and it appearing that approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors pending the Final Hearing and is otherwise fair and reasonable and in the best interests of the Debtors, their estates and their creditors, and is essential for the preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this

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Interim Order having been withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM HEARING, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

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

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

C. **Committee Formation** As of the date hereof, the Office of the United States Trustee (the "***U.S. Trustee***") has not appointed any official committee of unsecured creditors in these Cases pursuant to section 1102 of the Bankruptcy Code (the "***Committee***").

D. **Notice**. Notice of the Interim Hearing and notice of the DIP Motion has been provided by the Debtors to: (i) the Office of the United States Trustee for the Central District of California (the "***U.S. Trustee***"); (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis;

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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(vi) counsel to each of the Prepetition Secured Creditors (as defined below); (vii) counsel to the DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for the State of California, Charities Division; and (ix) all other parties known to assert a lien on any of the Debtors' assets. Under the circumstances, such notice of the Interim Hearing and the DIP Motion constitute due, sufficient and appropriate notice and complies with sections 102(1) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b), and the Local Rules, and no other or further notice is required under the circumstances.

E. **Findings Regarding Corporate Authority**. As set forth in the resolutions accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate power and authority to execute and deliver the DIP Financing Agreements to which it is a party and to perform its obligations thereunder.

F. **Intercreditor Agreement**. Pursuant to section 510 of the Bankruptcy Code, but subject to the terms of this Interim Order and the Intercreditor Acknowledgment (as defined herein), the Amended and Restated Intercreditor Agreement dated September 1, 2017 (the "***Intercreditor Agreement***") and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors (including the relative priorities, rights and remedies of such parties with respect to the Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable, by the Debtors under this Interim Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of this Interim Order or the DIP Financing Agreements, unless expressly set forth herein or therein.

G. **Prepetition Secured Credit Facilities**. As of the Petition Date, the Debtors were indebted and liable to: UMB Bank, N.A., ("***UMB Bank***") as successor Master Trustee under the Master Trust under master indenture obligations for the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "***2005 Bonds***") and California Public Finance Authority Revenue Notes (Verity Health

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System) Series 2015 A, B, C, and D and the Series 2017 A and B (collectively, the "***Working Capital Notes***" and together with the 2005 Bonds, the "***MTI Obligations***"), Wells Fargo Bank National Association ("***Wells Fargo***") serves as indenture trustee for the Series 2005 Bonds. U.S. Bank National Association ("***U.S. Bank***" and together with Wells Fargo and UMB Bank, the "***Prepetition Agents***") serves as the Collateral Agent and Note Trustee for the Working Capital Notes. As of the Petition Date, the Debtors were indebted and liable to Verity MOB Financing, LLC and Verity MOB Financing II, LLC (together, "***Verity MOB***" and collectively with the Prepetition Agents and holders of the 2005 Bonds and the Working Capital Notes, the "***Prepetition Secured Creditors***") as holders of security interests in Verity Holdings prepetition accounts, including rents arising from the prepetition MOB Financing (the "***MOB Financing***", and together with the 2005 Bonds and Working Capital Notes, the "***Prepetition Secured Documents***") holding approximately $568,000,000 of debt as set forth on **Exhibit 1** to the Chou Decl. (the "***Prepetition Secured Obligations***") secured by liens on virtually all of the Debtors' assets (the "***Prepetition Liens***").

H. **Prepetition Collateral**. In order to secure the Prepetition Secured Obligations, the Debtors granted the Prepetition Liens to the Prepetition Secured Creditors on substantially all of their assets (the "***Prepetition Collateral***").

I. **Findings Regarding the Postpetition Financing**.

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

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(ii) **Good Cause; Need for Postpetition Financing**. Good cause has been shown for the entry of this Interim Order. An immediate need exists for the Debtors to obtain funds from the Interim DIP Loan in order to continue operations, continue to serve the Debtors mission to provide acute and specialized care for area patients and to administer and preserve the value of their estates. The ability of the Debtors to finance their operations, to preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors requires the availability of working capital from the Interim DIP Loan, the absence of which would immediately and irreparably harm the Debtors, their estates and their creditors and the possibility for a successful reorganization or sale of the Debtors' assets as a going concern or otherwise. The proposed Interim DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

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

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

K. **Application of Sale Proceeds of DIP Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property, including, without limitation, the Facilities and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The Sale Proceeds shall be held in escrow in one or more deposit

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accounts subject to a deposit account control agreement in favor of the DIP Lender (the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled with any other funds of the Debtors or otherwise. The DIP Lender is granted a first priority lien on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Interim Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors; provided, however, that upon any Debtor's request and with the consent of the DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors on terms and conditions that are acceptable to the DIP Lender in its sole discretion and in upon further order of this Court.

L. **Adequate Protection for Prepetition Secured Creditors.** The priming of the Prepetition Secured Creditors' Prepetition Liens to the extent set forth below pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens set forth below, the Prepetition Secured Creditors shall be entitled to receive adequate protection, as set forth in this Interim Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests in the Prepetition Collateral resulting from, among other things, the subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of such Prepetition Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively, and solely to the extent of such diminution in value, the "***Diminution in Value***"). The Prepetition Secured Creditors have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral to help fund the administration of the Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the

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record presented to the Court at the Interim Hearing, the terms of the proposed adequate protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Creditors; provided, however, that nothing herein shall limit the rights of any of the Prepetition Secured Creditors to hereafter seek new or different adequate protection.

M. **Extension of Financing**. The DIP Lender has indicated a willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement. The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit Agreement and the other DIP Financing Agreements. The DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Interim Order and the DIP Financing Agreements will not be affected by any subsequent reversal or modification of this Interim Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

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

(i) The DIP Lender has indicated a willingness to provide DIP Financing to the Debtors in accordance with the DIP Financing Agreements. The terms and conditions of the DIP Facility and the DIP Financing Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

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

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

(iv) The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Financing Agreements, and the DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Interim Order and the DIP Financing Agreements will not be affected or avoided by any

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subsequent reversal or modification of this Interim Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

O. **Relief Essential; Best Interest; Good Cause**. The relief requested in the DIP Motion (and as provided in this Interim Order) is necessary, essential, and appropriate for the preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors' estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement. Good cause has been shown for the relief requested in the DIP Motion (and as provided in this Interim Order) solely on an interim basis.

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

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

2. **DIP Financing Agreements.**

(a) **Approval of Entry Into DIP Financing Agreements**. The Debtors are authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Interim Order and the DIP Financing Agreements, and to execute and deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Financing Agreements and the creation and perfection of the DIP Liens described in and provided for by this Interim Order and the DIP Financing Agreements. The Debtors are hereby authorized and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and other amounts described in the DIP Credit Agreement as such amounts become due and payable

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without need to obtain further Court approval, including closing fees, unused line fees, administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, and whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in this Interim Order or the DIP Financing Agreements. All collections and proceeds, whether from ordinary course collections, asset sales, debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Interim Order and the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, including, without limitation, commitment fees and reasonable attorneys' fees and disbursements as provided for in the DIP Credit Agreement, which amounts shall not otherwise be subject to approval of this Court, *provided however*, that notwithstanding section 2.9(a) of the DIP Credit Agreement, following entry of this Interim Order, the Debtors shall pay only $1,600,000 on account of the commitment fee. The Debtors shall pay the deferred balance of the commitment fee required by section 2.9(a) of the DIP Credit Agreement only upon entry of a Final Order approving the DIP Credit Agreement.

(b) **Authorization to Borrow/and or Guarantee**. To enable them to continue to preserve the value of their estates and dispose of their assets in an orderly fashion, during the period prior to entry of the Final Order (the "***Interim Period***") and subject to the terms and conditions of this Interim Order, upon the execution of the DIP Credit Agreement and the other Financing Documents the Debtors are hereby authorized to borrow the Interim DIP Loan up to a total committed amount of $30,000,000 under the DIP Financing Agreements.

(c) **Conditions Precedent.** The DIP Lender shall have no obligation to make the Interim DIP Loan or any loan or advance under the DIP Credit Agreement during the Interim Period unless the conditions precedent to making such loan under the DIP Credit Agreement have been satisfied in full or waived by the DIP Lender in its sole discretion.

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(d) **DIP Collateral; DIP Liens**. Effective immediately upon the entry of this Interim Order, on account of the Interim DIP Loan, the DIP Lender shall be and is hereby granted first-priority security interests and liens (which shall immediately be valid, binding, permanent, continuing, enforceable, perfected and non-avoidable) on all of the Debtors' property, including, without limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or after the Petition Date (collectively, the "***DIP Collateral***," and all such liens and security interests granted on or in the DIP Collateral pursuant to this Interim Order and the DIP Financing Agreements, the "***DIP Liens***"), but excluding the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA, donor restricted funds held at Philanthropic Foundations, Avoidance Actions (defined below) and any proceeds thereof and any funds held by the Prepetition Agents (including amounts set forth on **Exhibit 1** to the Chou Decl.). The DIP Collateral shall not be subject to any surcharge under section 506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this Court.

(e) **DIP Lien Priority**. Subject only to the Carve Out (as defined below), the DIP Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing, enforceable, non-avoidable first priority senior priming liens and security interests on the DIP Collateral, and shall prime all other liens and security interests on the DIP Collateral, including any liens and security interests in existence on the Petition Date against the Prepetition Collateral, and any other current or future liens granted on the DIP Collateral, including any adequate protection or replacement liens granted on the DIP Collateral (collectively, the "***Primed Liens***") (other than the Debtors' claims and causes of action under sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar actions under the Bankruptcy Code or similar state law (the "***Avoidance Actions***"), whether received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens shall not be made subject to, subordinate to, or pari passu with any lien or security interest by any court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid and enforceable against any trustee appointed in the Chapter 11 Cases, upon the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other proceedings related to

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any of the foregoing (any "***Successor Cases***"), and/or upon the dismissal of any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

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

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

(h) **Additional Protections of DIP Lender: Superpriority Administrative Claim Status**. Subject to the Carve Out (as defined below), all DIP Obligations shall constitute an allowed superpriority administrative expense claim (the "***DIP Superpriority Claim***" and, together with the DIP Liens, the "***DIP Protections***") with priority in all of the Chapter 11 Cases and Successor Cases over all other administrative expense claims under sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any other provision of the Bankruptcy Code except as otherwise set forth herein, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment. The DIP Superpriority Claim shall be payable from and have recourse to all prepetition and post-petition property of the Debtors and all proceeds thereof. Without limiting the foregoing, the Superpriority Claim shall not be made subject to, subordinate to, or *pari passu* with any other administrative claim in the

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Chapter 11 Cases or Successor Cases, except for the Carve Out (as defined below). Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Interim Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Interim Order and terminating upon the occurrence of an Event of Default (as defined below) and the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

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

(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, 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, excluding the prepetition collateral held by WTNA with respect to the Clean Fund Bonds and the NR2 Petros Bonds, donor restricted funds held at Philanthropic Foundations and Avoidance Actions and any proceeds thereof (the "***Prepetition Replacement Liens***"), which shall be junior only to (1) the Carve Out, (2) to the DIP Liens securing the DIP Obligations, and (3) any 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; *provided,*

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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 Collateral under the Intercreditor Agreement shall be senior to the Prepetition Replacement Liens granted to any other Prepetition Secured Creditors 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. With respect to the Prepetition Collateral that is subject to the Second Amended and Restated 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.

(b) **Adequate Protection Payments and Protections**. So long as there is no Default or Event of Default, under this Interim Order, the Final Order, or the DIP Financing Agreements, the Debtors are also authorized and directed to provide to the Prepetition Secured Creditors monthly adequate protection payments equal to the amount of postpetition, non-default contractual interest on the outstanding balances of the Prepetition Secured Obligations excluding the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA, provided that reference to the non-default contractual rate of interest shall not include any Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents, plus monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee, respectively, and reimbursement of reasonable attorney's fees for one set of attorneys for (1) Wells Fargo as the

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successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB Financing (the "***Prepetition Adequate Protection Payments***"). Notwithstanding the foregoing, to the extent the Court enters a final and non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code, that the Prepetition Adequate Protection Payments are not properly allocable to interest on one or more of the respective Prepetition Secured Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-characterized as payment(s) applied to the principal amount of the respective Prepetition Secured Obligations.

(c) **Prepetition Superpriority Claim**. To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below, an allowed superpriority administrative expense claim (the "***Prepetition Superpriority Claims***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising of any kind or nature whatsoever including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552, 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of the Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition Superpriority Claim granted to the 2015 Note Trustee and/or 2017 Note Trustee on account of the Diminution in Value of the Priority Collateral under the Intercreditor Agreement

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shall have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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 Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

(d) **Validity, Perfection and Amount of Prepetition Liens**. The Debtors further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the Prepetition Secured Obligations on the Prepetition Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition Secured Creditors and (b) the Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral. The findings and stipulations set forth in this Interim Order with respect to the validity, enforceability and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and all of their successors in interest and assigns, including the Committee, unless, and solely to the extent that, a party in interest with requisite standing and authority (other than the Debtors, as to which any Challenge (as defined below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the

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Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens (each such proceeding or appropriate pleading commencing a proceeding or other contested matter, a "***Challenge***") within ninety (90) days from the formation of the Committee (the "***Challenge Deadline***"); *provided however* that the filing by the Committee of a motion for standing to prosecute a Challenge shall automatically toll the Challenge Deadline; and *provided further*, that the "Challenge Deadline" for matters solely relating to the value of the Prepetition Collateral may be further extended to such time as may be agreed by the parties or further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be amended upon further order of this Court and the consent of both the Prepetition Secured Creditors and the DIP Lender. The Debtors shall not use the Prepetition Collateral or its proceeds to investigate, prosecute claims against the Prepetition Secured Creditors, including Avoidance Actions, *provided however* that the Committee may investigate the existence of such claims and have allowed fees paid from the Prepetition Collateral up to the amount of $50,000, *provided further however* that no Prepetition Collateral or the proceeds thereof may be used to prosecute claims against Prepetition Secured Creditors. For the avoidance of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition Secured Creditors from any Challenge raised by third parties, including the Committee, to the validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition Liens.

(e) **Sections 506(c) and 552(b)**. In light of the Prepetition Secured Creditors' agreement that their Prepetition Liens shall be subject to the Carve Out and subordinate to the DIP Liens, the Prepetition Secured Creditors are each entitled to a waiver of any "equities of the case" exception under section 552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the Bankruptcy Code.

(f) Nothing contained in this Interim Order shall prevent the Prepetition Secured Creditors from application or use of the funds held by the Prepetition Agents in accordance with the Prepetition Secured Documents.

5. **Budget Maintenance**. The proceeds of the DIP Loan under the DIP Facility and the use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the

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DIP Financing Agreements and the DIP Budget. The Initial Agreed Budget delivered to the DIP Agent shall be accompanied by such supporting documentation as reasonably requested by the DIP Agent. The DIP Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the U.S. Trustee and counsel for the Prepetition Secured Creditors after it has been approved in accordance with the DIP Financing Agreements. Except to the extent required by the DIP Agent to accommodate the Prepetition Adequate Protection Payments, for the duration of this Interim Order, the DIP Budget may not be amended without the prior consent of the Prepetition Secured Creditors.

6. **Budget Compliance and Reporting**. The Debtors shall comply with the DIP Budget as and when required under the DIP Credit Agreement (subject to the variances set forth therein). The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the Committee, should a Committee be appointed, such information to include reasonably complete details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock Declaration and such information to be timely provided, sufficient for the Prepetition Secured Creditors to file an objection with this Court on two business days notice. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and binding confidentiality agreements, prior to any hearing to consider entry of a Final Order related to this DIP Motion, the Debtors shall provide to the Prepetition Secured Creditors information concerning (i) the Debtors' efforts to obtain debtor in possession financing proposals, including any proposals the Debtors received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted, copies of any proposals or

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expressions of interest, and other information concerning these matters the Prepetition Secured Creditors may reasonably request.

7. **Postpetition Lien Perfection.** This Interim Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens and Prepetition Replacement Liens without the necessity of filing or recording any financing statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be required under the law of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement or obtaining possession of any possessory collateral) to validate or perfect the DIP Liens or Prepetition Replacement Liens, or to entitle the DIP Liens and Prepetition Replacement Liens the respective priorities granted herein. Notwithstanding and without limiting the foregoing, the DIP Lender may file such financing statements, mortgages, deeds of trust, notices of liens and other similar documents as it deems appropriate, and it is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, deeds of trust, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of the Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the DIP Lender all such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents as the DIP Lender may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents shall be considered DIP Financing Agreements for all intents and purposes. The DIP Lender, in its discretion, may file a certified copy of this Interim Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the recording officer shall be authorized to file or record such copy of this Interim Order. To the extent that the Prepetition Agents or Verity MOB is the secured party under any security

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

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

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

10. **Cash Collection**.

(a) From and after the date of the entry of this Interim Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now

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or shall become entitled at any time, shall be promptly deposited accounts as specified in the DIP Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to time) (collectively, the "***Cash Collection Accounts***"), which accounts shall be subject to the sole dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP Agent that, unless a "Default" or an "Event of Default" under the DIP Credit Agreement has occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall be authorized to use such Cash Collateral in accordance with this Interim Order. All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the DIP Agent and the Prepetition Agents and Verity MOB or as set forth in this Interim Order, the Debtors shall maintain no accounts except those identified in the interim cash management order entered by the Court with respect thereto (the "***Cash Management Order***"), whether now existing or hereafter established. The Debtors and the financial institutions where the Debtors' Cash Collection Accounts are maintained (including those accounts identified in the Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent.

(b) Notwithstanding anything in this Interim Order or any of the DIP Financing Agreements, from and after the date of the entry of this Interim Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall promptly be deposited into a depository account furnished by a depository bank acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject to the sole dominion and control of the DIP Agent (such account, the "***DIP Collateral Account***"). The Debtors' use of the proceeds in the DIP Collateral Account shall be subject to this Interim Order and the DIP Financing Agreements.

11. **Maintenance of DIP Collateral**. Until the indefeasible payment in full of all DIP Obligations, all Prepetition Secured Obligations, and the termination of the DIP Agent's and the

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DIP Lenders' obligation to extend credit under the DIP Facility, the Debtors shall: (a) insure the DIP Collateral as required under the DIP Facility or the Prepetition Secured Documents, as applicable; and (b) maintain the cash management system in effect as of the Petition Date, as modified by the Cash Management Order, and maintain books and records sufficient to account for postpetition intercompany transfers in a manner required by the Cash Management Order at paragraph 6 and the DIP Credit Agreement at section 5.6 or as otherwise agreed to by the DIP Agent or otherwise required or permitted by the DIP Financing Agreements or this Interim Order.

12. **DIP and Other Expenses**. The Debtors are authorized and directed to pay all reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent, (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as counsel to the DIP Agent), (2) the DIP Lenders in connection with the DIP Facility, as provided herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a proposed conversion of the DIP Facility into exit financing (including the preparation and negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured Creditors, whether or not the transactions contemplated hereby are consummated, including attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, and indemnification and reimbursement of fees and expenses. Payment of all such fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall not be required to comply with the U.S. Trustee fee guidelines; however, any time that such professionals seek payment of fees and expenses from the Debtors, each professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S. Trustee or the Committee, if one is appointed, with respect to such invoices must be in writing and state with particularity the grounds therefor and must be submitted to the applicable professional within ten (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved, it will be subject to resolution by the Court. Pending such resolution, the undisputed portion of any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the Debtors are authorized and directed

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to pay on the Closing Date all reasonable and documented fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors incurred on or prior to such date without the need for any professional engaged by such parties to first deliver a copy of its invoice or other supporting documentation. No attorney or advisor to the DIP Agent, the DIP Lenders or any Prepetition Secured Creditor shall be required to file an application seeking compensation for services or reimbursement of expenses with the Court. Upon entry of this Interim Order, any and all fees, costs, and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured Creditors in connection with or with respect to these matters, were approved in full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the Debtors or any other person.

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

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

15. **Carve Out**. The DIP Liens, DIP Superpriority Claim, and Replacement Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the Bankruptcy Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the "***U.S. Trustee Fees***"), together with interest, if any, at the statutory rate; and (ii) all allowed claims for unpaid fees, costs and expenses incurred by persons or firms retrain by the Debtors or the Committee, if any, whose retention is approved by the Bankruptcy Court pursuant to any one or more of sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for

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fees, costs and expenses are both (a) allowed by the Bankruptcy Court pursuant to the Final Order, and (b) in accordance with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable time frame (the "***Carve Out Expenses***"); provided that the aggregate amount of such Carve Out Expenses shall not exceed (a) $2,000,000 with respect to persons or firms retained by the Debtors, and (b) $75,000 with respect to persons or firms retained by the Committee (collectively, the "***Carve Out Amount***"). Any payment or reimbursement made after the Carve Out Trigger Date in respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a dollar-for-dollar basis.

16. **Limitation of Use of Proceeds**. Notwithstanding anything set forth herein and except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses incurred in connection with initiating or prosecuting any claims, causes of action, adversary proceedings, or other litigation against the DIP Lender or any of the Prepetition Secured Creditors, including, without limitation, the assertion or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defenses or other contested matter, the purpose of which is to seek any order, judgment, determination or similar relief (i) invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in part, (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, or (d) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly or indirectly, the DIP Lender or Prepetition Secured Creditors' assertion or enforcement of their liens or security interests or realization upon any DIP Collateral or Prepetition Collateral, or (iii) prosecuting any Avoidance Actions against the DIP Lender or any Prepetition Secured Creditor, or (iv) challenging the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the adequate protection granted herein, *provided however*, that nothing in this Interim Order shall limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors as adequate protection payments

17. **Payment of Compensation.** Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any of the Debtors or the Committee or shall

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affect the right of the DIP Lender or the Prepetition Secured Creditors to object to the allowance and payment of such fees and expenses or to permit the Debtors to pay any such amounts not set forth in the DIP Budget.

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

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

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

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

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

20. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 5, 2019 (the

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"***Scheduled Termination Date***"); (ii) the earlier of: (a) the date that is thirty (30) days from entry of this Interim Order unless a final, non-appealable order of the Bankruptcy Court authorizing the DIP Facility in form and substance satisfactory to the DIP Lender in its sole and absolute discretion has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Lender may approve in writing in its sole and absolute discretion), (b) the date the Court denies entry of the Final Order, or (c) the date of revocation of this Interim Order or the Final Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Bankruptcy Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Bankruptcy Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***"). The occurrence of the Commitment Termination Date, shall also constitute, subject to further Court order, termination of the Prepetition Secured Creditors' consent to the Debtors' use of their prepetition cash collateral.

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

22. **Events of Default.** The occurrence of a "Default" or an "Event of Default" pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the "Bankruptcy

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Defaults" enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of default under this Interim Order, unless expressly waived in writing in accordance with the consents required in the DIP Financing Agreements.

23. **Rights and Remedies Upon Event of Default.**

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

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

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

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

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

26. **Proofs of Claim**. The DIP Lender will not be required to file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Creditors.

27. **Other Rights and Obligations**.

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(a) **Good Faith Under Section 364(e) of the Bankruptcy Code. No Modification or Stay of this Interim Order.** The Debtor, the DIP Lender and the Prepetition Secured Creditors have acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and authorizing use of Cash Collateral and rely on this Interim Order is in good faith. Based on the findings set forth in this Interim Order and the record made during the Interim Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Interim Order are hereafter reversed, modified amended or vacated by a subsequent order of this or any other Court, the DIP Lender and Prepetition Secured Creditors are entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or vacatur shall not affect the validity and enforceability of any advances made pursuant to this Interim Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens or the Prepetition Replacement Liens. Any claims or DIP Protections granted to the DIP Lender hereunder, or adequate protection grant granted to the Prepetition Secured Creditors hereunder, arising prior to the effective date of such reversal, modification, amendment or vacatur, shall be governed in all respects by the original provisions of this Interim Order, and the DIP Lender and Prepetition Secured Creditors shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections and adequate protection granted herein, with respect to any such claims. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Interim Order, the obligations owed to the DIP Lender or the Prepetition Secured Creditors prior to the effective date of any reversal or modification of this Interim Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Lender or Prepetition Secured Creditors under this Interim Order and/or the DIP Financing Agreements.

(b) **Binding Effect**. The provisions of this Interim Order shall be binding upon and inure to the benefit of the DIP Lender, the Debtors, the Prepetition Secured Lenders, the Committee, if appointed, all other Parties in Interest, and all creditors, and each of their respective

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successors and assigns (including any trustee or other fiduciary hereinafter appointed as a legal representative of the Debtors or with respect to the property of the estates of the Debtors) whether in the Chapter 11 Cases, in any Successor Cases, or upon dismissal of any such chapter 11 or chapter 7 case.

(c) **No Waiver**. The failure of the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this Interim Order or otherwise, as applicable, shall not constitute a waiver of the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Lender may have pursuant to this Interim Order, the DIP Financing Agreements, or applicable law. Nothing in this Interim Order shall interfere with the rights of any party with respect to any non-Debtors.

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

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

(f) **Amendment.** The Debtors and the DIP Lender may amend or waive any provision of the DIP Financing Agreements, on notice to the Office of the U.S. Trustee, the Committee (if appointed), and the Prepetition Secured Creditors. Notwithstanding the foregoing, any amendment or waiver of any provision of the DIP Financing Agreements that is materially adverse to any Prepetition Secured Creditors may only become effective with the prior written consent of the affected Prepetition Secured Creditors or further order of the Court, after notice to

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the affected Prepetition Secured Creditors and an opportunity for a hearing thereon. Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all the Debtors and the DIP Lender, and, if material, approved by the Bankruptcy Court. Nothing herein shall preclude the Debtors and the DIP Lender from implementing any amendment or waiver of any provision of the DIP Financing Agreements.

28. **Survival of Interim Order and Other Matters.** The provisions of this Interim Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Interim Order including the DIP Protections granted pursuant to this Interim Order and the DIP Financing Agreements, shall continue in full force and effect notwithstanding the entry of such order, and such DIP Protections shall maintain their priority as provided by this Interim Order until all the obligations of the Debtors to the DIP Lender pursuant to the DIP Financing Agreements have been indefeasibly paid in full and in cash and discharged (such payment being without prejudice to any terms or provisions contained in the DIP Financing Agreements which survive such discharge by their terms). The terms and provisions of this Interim Order including any protections granted to the Prepetition Secured Creditors, shall continue in full force and effect notwithstanding the entry of such order, and such protections for the Prepetition Secured Creditors shall maintain their priority as provided by this Interim Order until all the obligations of the Debtors to the Prepetition Secured Creditors pursuant to applicable documentation have been discharged. The DIP Obligations shall not be discharged by the entry of an order confirming a plan of reorganization, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

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

(b) **Enforceability**. This Interim Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Interim Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Interim Order. The rights of all parties in interest to object to the terms of the Final Order, the DIP Credit Agreement and any other DIP Financing Agreements at the Final Hearing are expressly reserved.

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled on an interim basis.

(d) **No Waivers or Modification of Interim Order**. The Debtors irrevocably waive any right to seek any modification or extension of this Interim Order without the prior written consent of the DIP Lender and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Lender. 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 Lender with respect to any other non-Debtor or any of their assets.

29. **Final Hearing.**

(a) The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for October 3, 2018 at 10:00 a.m. Pacific time at the United States Bankruptcy Court for the Central District of California. If no objections to the relief sought in the Final Hearing are filed and served in accordance with this Interim Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtors and entered by this Court.

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(b) On or before September 12, 2018, the Debtors shall serve, by United States mail, first-class postage prepaid, notice of the entry of this Interim Order and of the Final Hearing (the "***Final Hearing Notice***"), together with copies of this Interim Order, the proposed Final Order and the DIP Motion, on: (i) the Office of the U.S. Trustee; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Office of the Attorney General for the State of California, Charities Division, Attn: Alicia Berry (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis; (vi) counsel to the DIP Lender; (vii) counsel to each of the Prepetition Secured Creditors; (viii) counsel of record representing patients of Debtors with litigation pending against the Debtors as of the Petition Date; (ix) all other known parties asserting a lien on the Debtors' assets; (x) the parties having been given notice of the Interim Hearing; and (xi) any party which has filed prior to such date a request for notices with this Court. The Final Hearing Notice shall state that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no later than September 19, 2018 at 4:00 p.m. Pacific time, which objections shall be served so that the same are received on or before such date by: (a) bankruptcy counsel for the Debtors, Dentons US LLP, 602 South Figueroa, Suite 2500, Los Angeles, California 90017 - 570, Attn: Samuel Maizel; (b) counsel for the DIP Lender, Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, TN 37219, Attn: David E. Lemke, Esq.; (c) counsel to the Committee, if any; (d) the Office of the United States Trustee for the Central District of California, 915 Wilshire Blvd., Suite 1850, Los Angeles, CA 90017, Attn: Jill Sturtevant, (e) counsel for U.S. Bank as 2015 Notes Trustee, McDermott, Will & Emory, 227 W. Monroe Street, Chicago, IL 60606-5096, (f) counsel for UMB Bank as successor Master Trustee, Mintz, Levin, Cohen, Ferris, Glovsky and Popeo PC, 1 Financial Center, Boston, MA 02111, Attn: Dan Bleck, (g) counsel for Verity MOB, Jones Day, 555 South Flower Street Fiftieth Floor, Los Angeles, California 90071 and (h) counsel for U.S. Bank as 2017 Notes Trustee, Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attn: Clark Whitmore, and any reply filed by the Debtors or any party supporting entry of the Final Order shall be filed with the Clerk of the United States

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Bankruptcy Court for the Central District of California, in each case to allow actual receipt of the foregoing no later than September 26, 2018, at 4:00 p.m. Pacific time. Notwithstanding the terms of this Interim Order, this Court is not precluded from entering a Final Order containing provisions that are inconsistent with, or contrary to any of the terms in this Interim Order, subject to the protections under Section 364(e) and the rights of the DIP Lender to terminate the DIP Credit Agreement if such Final Order is not acceptable to them. In the event this Court modifies any of the provisions of this Interim Order or the DIP Financing Agreements following such further hearing, such modifications shall not affect the rights and priorities of DIP Lender pursuant to this Interim Order with respect to the DIP Collateral, and any portion of the DIP Obligations which arises or is incurred, advanced or paid prior to such modifications (or otherwise arising prior to such modifications), and this Interim Order shall remain in full force and effect except as specifically amended or modified at such Final Hearing.

Dated: _____
Los Angeles, California

/s/_____
HONORABLE JUDGE ROBLES
UNITED STATES BANKRUPTCY JUDGE

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Exhibit 1

DIP CREDIT AGREEMENT

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Proposed Attorneys for the Chapter 11 Debtors and

Debtors In Possession

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession. ☒ Affects All Debtors ~~☐ Affects Verity Health System of California, Inc.~~ ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC 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 Chapter 11 Cases Hon. Judge Ernest M. Robles **INTERIM 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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Upon the emergency motion (the "***DIP Motion***")[1], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") authorizing the Debtors to, among other things: *inter alia*:

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

(ii) Enter into a Debtor-in-Possession Credit Agreement (the "***DIP Credit Agreement***"), substantially in the form attached hereto as **Exhibit 1**, and other related financing documents (together with the DIP Credit Agreement and DIP Security Agreement, ~~all as amended from time to time,~~ the "***DIP Financing Agreements***"), by and among each of the Debtors and Ally Bank ("***Ally***"), in its capacity as agent ("***DIP Agent***") and in its capacity as lender ("***DIP Lender***,") under the DIP Credit Agreement;

(iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements, postpetition financing of up to $30,000,000 on a revolving basis (the "***Interim DIP Loan***") and

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

seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this Interim Order;

(iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition financing of up to an additional $155,000,000, for a total of up to $185,000,000, on a revolving basis, which includes the Interim DIP Loan (the "***Final DIP Loan***," and together with the Interim DIP Loan, the "***DIP Loan***") and seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and the Final Order (as defined below);

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

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

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

(viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in accordance with the proposed initial agreed budget covering the initial 13 week period (the "***Initial Agreed Budget***") a copy of which is attached to the Chou Decl. [Docket No. 32] as **Exhibit 2**, and as otherwise provided in the DIP Financing Agreements, this Interim Order and the Final Order;

(ix) Provide adequate protection to certain of the Prepetition Secured Creditors (defined herein) pursuant to the terms of this Interim Order and the Final Order for any

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diminution in value of their respective interests in the Prepetition Collateral (as defined herein) resulting from the DIP Liens (as defined herein) on the Prepetition Collateral, subordination to the Carve Out (as defined herein), Debtors' use of Cash Collateral, and other decline in value arising out of the automatic stay or the Debtors' use, sale, depreciation, or disposition of the Prepetition Collateral;

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

(xi) Schedule a final hearing (the "***Final Hearing***") to consider entry of an order (the "***Final Order***") granting the relief requested in the DIP Motion on a final basis and approving the form of notice with respect to the Final Hearing; and

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

The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief Financial Officer filed in support of the DIP Motion and Rich Adcock, CEO filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Motion, the proposed DIP Credit Agreement, and any the exhibits attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the hearing on this Interim Order (the "***Interim Hearing***"); and due and proper notice of the DIP Motion and Interim Hearing having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under the circumstances; and the Interim Hearing having been held and concluded; and it appearing that approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors pending the Final Hearing and is otherwise fair and reasonable and in the best interests of the Debtors, their estates and their creditors, and is essential for the preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this Interim Order having been withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

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BASED UPON THE RECORD ESTABLISHED AT THE INTERIM HEARING, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

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

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

C. **Committee Formation** As of the date hereof, the Office of the United States Trustee (the "***U.S. Trustee***") has not appointed any official committee of unsecured creditors in these Cases pursuant to section 1102 of the Bankruptcy Code (the "***Committee***").

D. **Notice**. Notice of the Interim Hearing and notice of the DIP Motion has been provided by the Debtors to: (i) the Office of the United States Trustee for the Central District of California (the "***U.S. Trustee***"); (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis; (vi) counsel to each of the Prepetition Secured Creditors (as defined below); (vii) counsel to the DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for the State of

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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California, Charities Division; and (ix) all other ~~known~~ parties ~~asserting~~known to assert a lien on any of the Debtors' assets. Under the circumstances, such notice of the Interim Hearing and the DIP Motion constitute due, sufficient and appropriate notice and complies with sections 102(1) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b), and the Local Rules, and no other or further notice is required under the circumstances.

E. **Findings Regarding Corporate Authority**. As set forth in the resolutions accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate power and authority to execute and deliver the DIP Financing Agreements to which it is a party and to perform its obligations thereunder.

F. **Intercreditor Agreement**. Pursuant to section 510 of the Bankruptcy Code, but subject to the terms of this Interim Order and the Intercreditor Acknowledgment (as defined herein), the Amended and Restated Intercreditor Agreement dated September 1, 2017 (the "***Intercreditor Agreement***") and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors (including the relative priorities, rights and remedies of such parties with respect to the Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable, by the Debtors under this Interim Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of this Interim Order or the DIP Financing Agreements, unless expressly set forth herein or therein.

G. **Prepetition Secured Credit Facilities**. As of the Petition Date, the Debtors were indebted and liable to: UMB Bank, N.A., ("***UMB Bank***") as successor Master Trustee under the Master Trust under master indenture obligations for the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "***2005 Bonds***"), ~~U.S. Bank National Association ("***U.S. Bank***" and together with UMB Bank, the "***Prepetition Agents***"), as the Collateral Agent and Note Trustee for the~~ and California Public Finance Authority Revenue Notes (Verity Health System) Series 2015 A, B, C, and D and the Series 2017 A and B (collectively, the "***Working Capital Notes***" and together with the 2005

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Bonds, the "***MTI Obligations***"), Wells Fargo Bank National Association ("***Wells Fargo***") serves as indenture trustee for the Series 2005 Bonds. U.S. Bank National Association ("***U.S. Bank***" and together with Wells Fargo and UMB Bank, the "***Prepetition Agents***") serves as the Collateral Agent and Note Trustee for the Working Capital Notes. As of the Petition Date, the Debtors were indebted and liable to Verity MOB Financing, LLC and Verity MOB Financing II, LLC (together, "***Verity MOB***" and collectively with the Prepetition Agents and holders of the 2005 Bonds and the Working Capital Notes, the "***Prepetition Secured Creditors***") as holders of security interests in Verity Holdings prepetition accounts, including rents arising from the prepetition MOB Financing (the "***MOB Financing***", and together with the 2005 Bonds and Working Capital Notes, the "***Prepetition Secured Documents***") holding approximately $568,000,000 of debt as set forth on **Exhibit 1** to the Chou Decl. (the "***Prepetition Secured Obligations***") secured by liens on virtually all of the Debtors' assets (the "***Prepetition Liens***").

H. **Prepetition Collateral**. In order to secure the Prepetition Secured Obligations, the Debtors granted ~~security interests in and liens (~~the "Prepetition Liens"~~)~~ to the Prepetition Secured Creditors on substantially all of their assets (the "***Prepetition Collateral***").

I. **Findings Regarding the Postpetition Financing**.

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

(ii) **Good Cause; Need for Postpetition Financing**. Good cause has been shown for the entry of this Interim Order. An immediate need exists for the Debtors to obtain

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funds from the Interim DIP Loan in order to continue operations, continue to serve the Debtors mission to provide acute and specialized care for area patients and to administer and preserve the value of their estates. The ability of the Debtors to finance their operations, to preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors requires the availability of working capital from the Interim DIP Loan, the absence of which would immediately and irreparably harm the Debtors, their estates and their creditors and the possibility for a successful reorganization or sale of the Debtors' assets as a going concern or otherwise. The proposed Interim DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

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

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

K. **Application of Sale Proceeds of DIP Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property, including, without limitation, the Facilities and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The Sale Proceeds shall be held in escrow in one or more deposit accounts subject to a deposit account control agreement in favor of the DIP Lender (the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled

with any other funds of the Debtors or otherwise. The DIP Lender is granted a first priority lien on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Interim Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors; provided, however, that upon any Debtor's request and with the consent of the DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors on terms and conditions that are acceptable to the DIP Lender in its sole discretion and in upon further order of this Court.

L. **Adequate Protection for Prepetition Secured Creditors.** The priming of the Prepetition Secured Creditors' Prepetition Liens to the extent set forth below pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens set forth below, the Prepetition Secured Creditors shall be entitled to receive adequate protection, as set forth in this Interim Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests in the Prepetition Collateral resulting from, among other things, the subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of such Prepetition Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively, and solely to the extent of such diminution in value, the "***Diminution in Value***"). The Prepetition Secured Creditors have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral to help fund the administration of the Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the record presented to the Court at the Interim Hearing, the terms of the proposed adequate protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business

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judgment and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Creditors; provided, however, that nothing herein shall limit the rights of any of the Prepetition Secured Creditors to hereafter seek new or different adequate protection.

M. **Extension of Financing**. The DIP Lender has indicated a willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement. The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit Agreement and the other DIP Financing Agreements. The DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Interim Order and the DIP Financing Agreements will not be affected by any subsequent reversal or modification of this Interim Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

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

(i) The DIP Lender has indicated a willingness to provide DIP Financing to the Debtors in accordance with the DIP Financing Agreements. The terms and conditions of the DIP Facility and the DIP Financing Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

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

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

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

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O. **Relief Essential; Best Interest; Good Cause**. The relief requested in the DIP Motion (and as provided in this Interim Order) is necessary, essential, and appropriate for the preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors' estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement. Good cause has been shown for the relief requested in the DIP Motion (and as provided in this Interim Order) solely on an interim basis.

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

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

2. **DIP Financing Agreements.**

(a) **Approval of Entry Into DIP Financing Agreements**. The Debtors are authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Interim Order and the DIP Financing Agreements, and to execute and deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Financing Agreements and the creation and perfection of the DIP Liens described in and provided for by this Interim Order and the DIP Financing Agreements. The Debtors are hereby authorized and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and other amounts described in the DIP Credit Agreement as such amounts become due and payable without need to obtain further Court approval, including closing fees, unused line fees, administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of

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the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, and whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in this Interim Order or the DIP Financing Agreements. All collections and proceeds, whether from ordinary course collections, asset sales, debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Interim Order and the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, including, without limitation, commitment fees and reasonable attorneys' fees and disbursements as provided for in the DIP Credit Agreement, which amounts shall not otherwise be subject to approval of this Court~~.~~, *provided however*, that notwithstanding section 2.9(a) of the DIP Credit Agreement, following entry of this Interim Order, the Debtors shall pay only $1,600,000 on account of the commitment fee. The Debtors shall pay the deferred balance of the commitment fee required by section 2.9(a) of the DIP Credit Agreement only upon entry of a Final Order approving the DIP Credit Agreement.

(b) **Authorization to Borrow/and or Guarantee**. To enable them to continue to preserve the value of their estates and dispose of their assets in an orderly fashion, during the period prior to entry of the Final Order (the "***Interim Period***") and subject to the terms and conditions of this Interim Order, upon the execution of the DIP Credit Agreement and the other Financing Documents the Debtors are hereby authorized to borrow the Interim DIP Loan up to a total committed amount of $30,000,000 under the DIP Financing Agreements.

(c) **Conditions Precedent.** The DIP Lender shall have no obligation to make the Interim DIP Loan or any loan or advance under the DIP Credit Agreement during the Interim Period unless the conditions precedent to making such loan under the DIP Credit Agreement have been satisfied in full or waived by the DIP Lender in its sole discretion.

(d) **DIP Collateral; DIP Liens**. Effective immediately upon the entry of this Interim Order, on account of the Interim DIP Loan, the DIP Lender shall be and is hereby granted

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first-priority security interests and liens (which shall immediately be valid, binding, permanent, continuing, enforceable, perfected and non-avoidable) on all of the Debtors' property, including, without limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or after the Petition Date (collectively, the "***DIP Collateral***," and all such liens and security interests granted on or in the DIP Collateral pursuant to this Interim Order and the DIP Financing Agreements, the "***DIP Liens***"), but excluding the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA, ~~and~~ donor restricted funds held at Philanthropic Foundations, Avoidance Actions (defined below) and any proceeds thereof and any funds held by the Prepetition Agents (including amounts set forth on **Exhibit 1** to the Chou Decl.). The DIP Collateral shall not be subject to any surcharge under section 506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this Court.

(e) **DIP Lien Priority**. Subject only to the Carve Out (as defined below), the DIP Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing, enforceable, non-avoidable first priority senior priming liens and security interests on the DIP Collateral, and shall prime all other liens and security interests on the DIP Collateral, including any liens and security interests in existence on the Petition Date against the Prepetition Collateral, and any other current or future liens granted on the DIP Collateral, including any adequate protection or replacement liens granted on the DIP Collateral (collectively, the "***Primed Liens***") (other than the Debtors' claims and causes of action under sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar actions under the Bankruptcy Code or similar state law (the "***Avoidance Actions***"), whether received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens shall not be made subject to, subordinate to, or pari passu with any lien or security interest by any court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid and enforceable against any trustee appointed in the Chapter 11 Cases, upon the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (any "***Successor Cases***"), and/or upon the dismissal of any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses, claims, or liabilities that

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have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

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

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

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

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during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Interim Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Interim Order and terminating upon the occurrence of an Event of Default (as defined below) and the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

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

(a) **Adequate Protection Replacement Liens**. To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in ~~the~~ Prepetition Collateral, each of the affected Prepetition Secured Creditors shall ~~have~~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, excluding the prepetition collateral held by WTNA with respect to the Clean Fund Bonds and the NR2 Petros Bonds~~ collateral held by WTNA and Bankruptcy Recoveries~~, donor restricted funds held at Philanthropic Foundations and Avoidance Actions and any proceeds thereof (the "***Prepetition Replacement Liens***"), which shall be junior only to (1) the Carve Out, (2) to the DIP Liens securing the DIP Obligations, and (3) any 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; *provided, however*, that any Prepetition Replacement Liens granted to the 2015 Note Trustee and/or 2017 Note Trustee on account of the

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Diminution in Value of ~~any Prepetition Collateral in which it holds senior priority security interests shall be senior to the replacement liens granted to the~~ the Priority Collateral under the Intercreditor Agreement shall be senior to the Prepetition Replacement Liens granted to any other Prepetition Secured Creditors and junior ~~only to the Carve Out and the DIP Liens securing the DIP Obligations. Proceeds of~~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. With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Replacement Liens related thereto shall be allocated ~~amongst~~among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

(b) **Adequate Protection Payments and Protections**. So long as there is no Default or Event of Default, under this Interim Order, the Final Order, or the DIP Financing Agreements, the Debtors are also authorized and directed to provide to the Prepetition Secured Creditors monthly adequate protection payments ~~in~~equal to the ~~form~~amount of postpetition, non-default contractual interest on the outstanding balances of the Prepetition Secured Obligations excluding the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA, provided that reference to the non-default contractual rate of interest ~~does~~shall not include ~~the~~any Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents ~~interest on the Prepetition Secured Obligations, excluding the Clean Fund Bonds and NR2 Petros Bonds~~, plus monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB

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Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee, respectively, and reimbursement of reasonable attorney's fees ~~and~~for one set of attorneys for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB Financing and reimbursement of reasonable financial advisor fees for one set of ~~attorneys and~~ financial advisors for ~~each of (1) U.S. Bank as Trustee and Collateral Agent for the Working Capital Notes, (2) UMB Bank~~(1) Wells Fargo as the successor ~~Master Trustee~~indenture trustee for the 2005 Bonds and UMB Bank as Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) ~~the~~ MOB ~~Notes~~Financing (the "***Prepetition Adequate Protection Payments***"). Notwithstanding the foregoing, to the extent the Court enters a final and non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code, that the Prepetition Adequate Protection Payments are not properly allocable to interest on one or more of the respective Prepetition Secured Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-characterized as payment(s) applied to the principal amount of the respective Prepetition Secured Obligations.

(c) **Prepetition Superpriority Claim**. To the extent of the Diminution in Value of the ~~allowed interests~~interest of the respective Prepetition Secured Creditors in ~~the~~ Prepetition Collateral, each of the affected Prepetition Secured Creditors shall ~~have~~be granted, subject to the terms and conditions set forth below, an allowed superpriority administrative expense claim (the "***Prepetition Superpriority ~~Claim~~Claims***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, ~~and~~ (iii) the Carve Out~~)~~, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections ~~364~~363(c)(1), 503(b)~~,~~ and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising~~,~~ of any kind or nature whatsoever including, without limitation, administrative expenses of the ~~kinds~~kind specified ~~in~~ or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d)~~,~~ 552, 726, ~~1113,~~1113 and 1114 of the Bankruptcy

Code, and, upon entry of the Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy, or attachment. Other than the DIP Liens, the DIP Superpriority Claim, and the Carve Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under sections 328, 330, and 331 of the Bankruptcy Code, or otherwise, that have been or may be incurred in the Chapter 11 Case, or in any Successor Case, will be senior to, prior to, or on parity with the Prepetition Superpriority Claim (for purposes hereof, such liens will be deemed part of the "***Prepetition Replacement Liens***"). or attachment; *provided, however*, that any Prepetition Superpriority Claim granted to the 2015 Note Trustee and/or 2017 Note Trustee on account of the Diminution in Value of the Priority Collateral under the Intercreditor Agreement shall have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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 Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

(d) **Validity, Perfection and Amount of Prepetition Liens**. The Debtors further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the Prepetition Secured Obligations on the Prepetition Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition

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Secured Creditors and (b) the Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral. The findings and stipulations set forth in this Interim Order with respect to the validity, enforceability and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and all of their successors in interest and assigns, including the Committee, unless, and solely to the extent that, a party in interest with requisite standing and authority (other than the Debtors, as to which any Challenge (as defined below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens (each such proceeding or appropriate pleading commencing a proceeding or other contested matter, a "***Challenge***") within ninety (90) days from the formation of the Committee (the "***Challenge Deadline***"); *provided however* that the filing by the Committee of a motion for standing to prosecute a Challenge shall automatically toll the Challenge Deadline; and *provided further*, that the "Challenge Deadline" for matters solely relating to the value of the Prepetition Collateral may be further extended to such time as may be agreed by the parties or further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be amended upon further order of this Court and the consent of both the Prepetition Secured Creditors and the DIP Lender. The Debtors shall not use the Prepetition Collateral or its proceeds to investigate, prosecute claims against the Prepetition Secured Creditors, including Avoidance Actions, *provided however* that the Committee may investigate the existence of such claims and have allowed fees paid from the Prepetition Collateral up to the amount of $50,000, *provided further however* that no Prepetition Collateral or the proceeds thereof may be used to prosecute claims against Prepetition Secured Creditors. For the avoidance of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition Secured Creditors from any Challenge raised by third parties, including the Committee, to the

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validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition Liens.

(e) **Sections 506(c) and 552(b)**. In light of the Prepetition Secured Creditors' agreement that their Prepetition Liens shall be subject to the Carve Out and subordinate to the DIP Liens, the Prepetition Secured Creditors are each entitled to a waiver of any "equities of the case" exception under section 552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the Bankruptcy Code.

(f) Nothing contained in this Interim Order shall prevent the Prepetition Secured Creditors from application or use of the funds held by the Prepetition Agents in accordance with the Prepetition Secured Documents.

5. **Budget Maintenance**. The proceeds of the DIP Loan under the DIP Facility and the use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the DIP Financing Agreements and the DIP Budget. The Initial Agreed Budget delivered to the DIP Agent shall be accompanied by such supporting documentation as reasonably requested by the DIP Agent. The DIP Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the U.S. Trustee and counsel for the Prepetition Secured Creditors after it has been approved in accordance with the DIP Financing Agreements. Except to the extent required by the DIP Agent to accommodate the Prepetition Adequate Protection Payments, for the duration of this Interim Order, the DIP Budget may not be amended without the prior consent of the Prepetition Secured Creditors.

6. **Budget Compliance and Reporting**. The Debtors shall comply with the DIP Budget as and when required under the DIP Credit Agreement (subject to the variances set forth therein). The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the Committee, should a Committee be appointed, such information to include reasonably complete details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as

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defined in the Adcock Declaration and such information to be timely provided, sufficient for the Prepetition Secured Creditors to file an objection with this Court on two business days notice. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and binding confidentiality agreements, prior to any hearing to consider entry of a Final Order related to this DIP Motion, the Debtors shall provide to the Prepetition Secured Creditors information concerning (i) the Debtors' efforts to obtain debtor in possession financing proposals, including any proposals the Debtors received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted, copies of any proposals or expressions of interest, and other information concerning these matters the Prepetition Secured Creditors may reasonably request.

7. **Postpetition Lien Perfection.** This Interim Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens and Prepetition Replacement Liens without the necessity of filing or recording any financing statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be required under the law of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement or obtaining possession of any possessory collateral) to validate or perfect the DIP Liens or Prepetition Replacement Liens, or to entitle the DIP Liens and Prepetition Replacement Liens the respective priorities granted herein. Notwithstanding and without limiting the foregoing, the DIP Lender may file such financing statements, mortgages, deeds of trust, notices of liens and other similar documents as it deems appropriate, and it is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, deeds of trust, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of the Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the

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validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the DIP Lender all such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents as the DIP Lender may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents shall be considered DIP Financing Agreements for all intents and purposes. The DIP Lender, in its discretion, may file a certified copy of this Interim Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the recording officer shall be authorized to file or record such copy of this Interim Order. To the extent that the Prepetition Agents or Verity MOB is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements, bailee letters, custom broker agreements, financing statement, account control agreements, or any other Prepetition Secured Documents or is listed as loss payee or additional insured under any of the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under such documents or to be the loss payee or additional insured, as applicable. ~~The Prepetition Agents and Verity MOB shall serve as agent for the DIP Agent for purposes of perfecting the DIP Agent's liens on all DIP Collateral that, without giving effect to the Bankruptcy Code and this Interim Order, is of a type such that perfection of a lien therein may be accomplished only by possession or control by a secured party, bailee or consignee.~~

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

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

10. **Cash Collection**.

(a) From and after the date of the entry of this Interim Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited accounts as specified in the DIP Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to time) (collectively, the "***Cash Collection Accounts***"), which accounts shall be subject to the sole dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP Agent that, unless a "Default" or an "Event of Default" under the DIP Credit Agreement has occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall be authorized to use such Cash Collateral in accordance with this Interim Order. All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the DIP Agent and the Prepetition Agents and Verity MOB or as set forth in this Interim Order, the Debtors shall maintain no accounts except those identified in the interim cash management order entered by the Court ~~[Docket No. _____]~~ with respect thereto (the "***Cash***

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Management Order"), whether now existing or hereafter established. The Debtors and the financial institutions where the Debtors' Cash Collection Accounts are maintained (including those accounts identified in the Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent.

(b) Notwithstanding anything in this Interim Order or any of the DIP Financing Agreements, from and after the date of the entry of this Interim Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall promptly be deposited into a depository account furnished by a depository bank acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject to the sole dominion and control of the DIP Agent (such account, the "***DIP Collateral Account***"). The Debtors' use of the proceeds in the DIP Collateral Account shall be subject to this Interim Order and the DIP Financing Agreements.

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

12. **DIP and Other Expenses**. The Debtors are authorized and directed to pay all reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent, (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as counsel to the DIP Agent), ~~and~~(2) the DIP Lenders in connection with the DIP Facility, as provided herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred

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with a proposed conversion of the DIP Facility into exit financing (including the preparation and negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured Creditors, whether or not the transactions contemplated hereby are consummated, including attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, and indemnification and reimbursement of fees and expenses. Payment of all such fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall not be required to comply with the U.S. Trustee fee guidelines; however, any time that such professionals seek payment of fees and expenses from the Debtors, each professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S. Trustee or the Committee, if one is appointed, with respect to such invoices must be in writing and state with particularity the grounds therefor and must be submitted to the applicable professional within ten (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved, it will be subject to resolution by the Court. Pending such resolution, the undisputed portion of any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the Debtors ~~were~~are authorized and directed to pay on the Closing Date all reasonable and documented fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors incurred on or prior to such date without the need for any professional engaged by such parties to first deliver a copy of its invoice or other supporting documentation. No attorney or advisor to the DIP Agent, the DIP Lenders or any Prepetition Secured Creditor shall be required to file an application seeking compensation for services or reimbursement of expenses with the Court. Upon entry of this Interim Order, any and all fees, costs, and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured Creditors in connection with or with respect to these matters, were approved in full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the Debtors or any other person.

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

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

15. **Carve Out**. The DIP Liens, DIP Superpriority Claim, and Replacement Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the Bankruptcy Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the "***U.S. Trustee Fees***"), together with interest, if any, at the statutory rate; and (ii) all allowed claims for unpaid fees, costs and expenses incurred by persons or firms retrain by the Debtors or the Committee, if any, whose retention is approved by the Bankruptcy Court pursuant to any one or more of sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs and expenses are both (a) allowed by the Bankruptcy Court pursuant to the Final Order, and (b) in accordance with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable time frame (the "***Carve Out Expenses***"); provided that the aggregate amount of such Carve Out Expenses shall not exceed (a) $2,000,000 with respect to persons or firms retained by the Debtors, and (b) $75,000 with respect to persons or firms retained by the Committee (collectively, the "***Carve Out Amount***"). Any payment or reimbursement made after the Carve Out Trigger Date in respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a dollar-for-dollar basis.

16. **Limitation of Use of Proceeds**. Notwithstanding anything set forth herein and except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses incurred in connection with initiating or prosecuting any claims, causes of action, adversary

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proceedings, or other litigation against the DIP Lender or any of the Prepetition Secured Creditors, including, without limitation, the assertion or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defenses or other contested matter, the purpose of which is to seek any order, judgment, determination or similar relief (i) invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in part, (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, or (d) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly or indirectly, the DIP Lender or Prepetition Secured Creditors' assertion or enforcement of their liens or security interests or realization upon any DIP Collateral or Prepetition Collateral, or (iii) prosecuting any Avoidance Actions against the DIP Lender or any Prepetition Secured Creditor, or (iv) challenging the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the adequate protection granted herein, *provided however*, that nothing in this Interim Order shall limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors as adequate protection payments.

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

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

19. **Collateral Rights.** Unless the DIP Lender has provided its prior written consent or all DIP Obligations have been paid in full in cash (or will be paid in full in cash upon entry of an

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order approving indebtedness described in subparagraph (a) below), and all commitments by the DIP Lender to lend have terminated:

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

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

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

20. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 5, 2019 (the "***Scheduled Termination Date***"); (ii) the earlier of: (a) the date that is thirty (30) days from entry of this Interim Order unless a final, non-appealable order of the Bankruptcy Court authorizing the DIP Facility in form and substance satisfactory to the DIP Lender in its sole and absolute discretion has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Lender may approve in writing in its sole and absolute discretion), (b) the date the Court denies entry of the Final Order, or (c) the date of revocation of this Interim Order or the Final Order, as applicable; (iii) the substantial consumption (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order ~~aentered~~entered by the Bankruptcy Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Bankruptcy Court orders the conversion of

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the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***"). The occurrence of the Commitment Termination Date, shall also constitute, subject to further Court order, termination of the Prepetition Secured Creditors' consent to the Debtors' use of their prepetition cash collateral.

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

22. **Events of Default.** The occurrence of a "Default" or an "Event of Default" pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the "Bankruptcy Defaults" enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of default under this Interim Order, unless expressly waived in writing in accordance with the consents required in the DIP Financing Agreements.

23. **Rights and Remedies Upon Event of Default.**

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

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

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

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

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

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

26. **Proofs of Claim**. The DIP Lender will not be required to file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Creditors.

27. **Other Rights and Obligations**.

(a) **Good Faith Under Section 364(e) of the Bankruptcy Code. No Modification or Stay of this Interim Order.** The Debtor, the DIP Lender ~~has~~and the Prepetition Secured Creditors have acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and ~~its reliance~~authorizing use of Cash Collateral and rely on this Interim Order is in good faith. Based on the findings set forth in this Interim Order and the record made during the Interim Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Interim Order are hereafter reversed, modified amended or vacated by a subsequent order of this or any other Court, the DIP Lender ~~is~~and Prepetition Secured Creditors are entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or vacatur shall not affect the validity and enforceability of any advances made pursuant to this Interim

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Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens or the Prepetition Replacement Liens. Any claims ~~and~~or DIP Protections granted to the DIP Lender hereunder, or adequate protection grant granted to the Prepetition Secured Creditors hereunder, arising prior to the effective date of such reversal, modification, amendment or vacatur, shall be governed in all respects by the original provisions of this Interim Order, and the DIP Lender and Prepetition Secured Creditors shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections and adequate protection granted herein, with respect to any such ~~claim~~claims. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Interim Order, the obligations owed to the DIP Lender or the Prepetition Secured Creditors prior to the effective date of any reversal or modification of this Interim Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Lender or Prepetition Secured Creditors under this Interim Order and/or the DIP Financing Agreements.

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

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

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including without limitation, the rights of the DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Lender may have pursuant to this Interim Order, the DIP Financing Agreements, or applicable law. Nothing in this Interim Order shall interfere with the rights of any party with respect to any non-Debtors.

(d) **No Third Party Rights**. Except as explicitly provided for herein, this Interim Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary. ~~(e) No Marshaling. The DIP Lender shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the DIP Collateral.~~

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

(f) **Amendment.** The Debtors and the DIP Lender may amend or waive any provision of the DIP Financing Agreements, ~~provided that, to the extent such amendment or waiver impairs the Debtors or DIP Collateral of the Debtors, such amendment must be~~ on notice to the Office of the U.S. Trustee ~~and any~~, the Committee (if appointed), ~~provided that such amendment or waiver, in the reasonable judgment of the Debtors and the DIP Lender, is both non-prejudicial to the rights of third parties or is not material~~and the Prepetition Secured Creditors. Notwithstanding the foregoing, any amendment or waiver of any provision of the DIP Financing Agreements that is materially adverse to any Prepetition Secured Creditors may only become effective with the prior written consent of the affected Prepetition Secured Creditors or further order of the Court, after notice to the affected Prepetition Secured Creditors and an opportunity for a hearing thereon. Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all the Debtors and the DIP Lender, and, if material, approved by the Bankruptcy Court. Nothing herein shall preclude the Debtors and the DIP

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Lender from implementing any amendment or waiver of any provision of the DIP Financing Agreements.

28. **Survival of Interim Order and Other Matters.** The provisions of this Interim Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Interim Order including the DIP Protections granted pursuant to this Interim Order and the DIP Financing Agreements ~~and~~, shall continue in full force and effect notwithstanding the entry of such order, and such DIP Protections shall maintain their priority as provided by this Interim Order until all the obligations of the Debtors to the DIP Lender pursuant to the DIP Financing Agreements have been indefeasibly paid in full and in cash and discharged (such payment being without prejudice to any terms or provisions contained in the DIP Financing Agreements which survive such discharge by their terms). The terms and provisions of this Interim Order including any protections granted to the Prepetition Secured Creditors, shall continue in full force and effect notwithstanding the entry of such order, and such ~~DIP Protections and~~ protections for the Prepetition Secured Creditors shall maintain their priority as provided by this Interim Order until all the obligations of the Debtors to the ~~DIP Lender pursuant to the DIP Financing Agreements have been indefeasibly paid in full and in cash and discharged (such payment being without prejudice to any terms or provisions contained in the DIP Financing Agreements which survive such discharge by their terms)~~Prepetition Secured Creditors pursuant to applicable documentation have been discharged. The DIP Obligations shall not be discharged by the entry of an order confirming a plan of reorganization, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

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

(b) **Enforceability**. This Interim Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Interim Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Interim Order. The rights of all parties in interest to object to the terms of the Final Order, the DIP Credit Agreement and any other DIP Financing Agreements at the Final Hearing are expressly reserved.

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled on an interim basis.

(d) **No Waivers or Modification of Interim Order**. The Debtors irrevocably waive any right to seek any modification or extension of this Interim Order without the prior written consent of the DIP Lender and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Lender. 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 Lender with respect to any other non-Debtor or any of their assets.

29. **Final Hearing.**

(a) The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for ~~_____,~~ October 3, 2018 at ~~__:__ _~~10:00 a.m. Pacific time at the United States Bankruptcy Court for the Central District of California. If no objections to the relief sought in the Final Hearing are filed and served in accordance with this Interim Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtors and entered by this Court.

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(b) On or before ~~_____~~September 12, 2018, the Debtors shall serve, by United States mail, first-class postage prepaid, notice of the entry of this Interim Order and of the Final Hearing (the "***Final Hearing Notice***"), together with copies of this Interim Order, the proposed Final Order and the DIP Motion, on: (i) the Office of the U.S. Trustee; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Office of the Attorney General for the State of California, Charities Division, Attn: Alicia Berry (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis; (vi) counsel to the DIP Lender; (vii) counsel to each of the Prepetition Secured Creditors; (viii) counsel of record representing patients of Debtors with litigation pending against the Debtors as of the Petition Date; (ix) all other known parties asserting a lien on the Debtors' assets; (x) the parties having been given notice of the Interim Hearing; and (xi) any party which has filed prior to such date a request for notices with this Court. The Final Hearing Notice shall state that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no later than ~~_____~~September 19, 2018 at ~~__:__~~ 4:00 p.m. Pacific time, which objections shall be served so that the same are received on or before such date by: (a) bankruptcy counsel for the Debtors, Dentons US LLP, 602 South Figueroa, Suite 2500, Los Angeles, California 90017 - 570, Attn: Samuel Maizel; (b) counsel for the DIP Lender, Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, TN 37219, Attn: David E. Lemke, Esq.; (c) counsel to the Committee, if any; (d) the Office of the United States Trustee for the Central District of California, 915 Wilshire Blvd., Suite 1850, Los Angeles, CA 90017, Attn: Jill Sturtevant, (e) counsel for U.S. Bank as ~~Collateral Agent and Note~~2015 Notes Trustee, McDermott, Will & Emory, 227 W. Monroe Street, Chicago, IL 60606-5096, (f) counsel for UMB Bank as successor Master Trustee, Mintz, Levin, Cohen, Ferris, Glovsky and Popeo PC, 1 Financial Center, Boston, MA 02111, Attn: Dan Bleck, (g) counsel for ~~the~~Verity MOB ~~Financing Parties~~, Jones Day, 555 South Flower Street Fiftieth Floor, Los Angeles, California 90071 and (h) counsel for ~~Wells Fargo~~U.S. Bank ~~N.A.~~ as ~~Note~~2017 Notes Trustee ~~for Series 2017,~~ Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attn: Clark Whitmore, and any

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reply filed by the Debtors or any party supporting entry of the Final Order shall be filed with the Clerk of the United States Bankruptcy Court for the Central District of California, in each case to allow actual receipt of the foregoing no later than _____, September 26, 2018, at __:__ 4:00 p.m. Pacific time. Notwithstanding the terms of this Interim Order, this Court is not precluded from entering a Final Order containing provisions that are inconsistent with, or contrary to any of the terms in this Interim Order, subject to the protections under Section 364(e) and the rights of the DIP Lender to terminate the DIP Credit Agreement if such Final Order is not acceptable to them. In the event this Court modifies any of the provisions of this Interim Order or the DIP Financing Agreements following such further hearing, such modifications shall not affect the rights and priorities of DIP Lender pursuant to this Interim Order with respect to the DIP Collateral, and any portion of the DIP Obligations which arises or is incurred, advanced or paid prior to such modifications (or otherwise arising prior to such modifications), and this Interim Order shall remain in full force and effect except as specifically amended or modified at such Final Hearing.

Dated: _____
Los Angeles, California

/s/_____
HONORABLE JUDGE ROBLES
UNITED STATES BANKRUPTCY JUDGE

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Exhibit 1

DIP CREDIT AGREEMENT

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Document comparison by Workshare Professional on Wednesday, September 05, 2018 5:11:19 AM

Input:	
Document 1 ID	interwovenSite://USDMS/US_Active/108889396/4
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Document 2 ID	interwovenSite://USDMS/US_Active/108889396/5
Description	#108889396v5<US_Active> - Revised Interim Order Authorizing Postpetition Financing
Rendering set	Underline Strikethrough

Legend:	
Insertion	
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Padding cell	

Statistics:	
	Count
Insertions	125
Deletions	79
Moved from	6
Moved to	6
Style change	0
Format changed	0
Total changes	216

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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-20181-ER Chapter 11 Cases Hon. Judge Ernest M. Robles **DECLARATION OF PATRICK COFFEY, MANAGING DIRECTOR, IN SUPPORT OF DEBTORS' MOTION FOR INTERIM ORDER (I) AUTHORIZING POST PETITION 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**
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

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I, Patrick Coffey, submit this Declaration in support of the DIP Motion, as defined in the proposed INTERIM 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 (the "***Interim Order***")[1], and hereby state and declare as follows:

1. I am a Managing Director of Ally Bank ("***Ally***").

2. I have first-hand knowledge of the terms and conditions of the DIP Financing, and was personally involved in the negotiations that have led to the DIP Financing Agreements.

3. The terms and conditions of the DIP Financing were negotiated at arms-length between Ally and Debtors and their respective counsel and advisors.

4. The terms and conditions of the DIP Financing are commercially reasonable and consistent with terms and conditions of loans that Ally has made to similarly situated Borrowers.

5. Ally engaged in its normal, ordinary course practice of underwriting and loan approval for the DIP Financing.

6. Ally has no relationship with any of the Debtors other than as the proposed DIP Lender and DIP Agent.

7. There are no other agreements or promises between Debtors and Ally other than the agreements contained in the DIP Financing Agreements and Interim Order.

8. The terms and conditions in the DIP Financing Agreements are the terms and conditions under which Ally is willing and able to provide the DIP Financing.

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Dated: September 5, 2018

By: _____
Name: Patrick Coffey
Title: Managing Director

[1] Unless otherwise indicated, all capitalized terms shall have the same meaning as ascribed to them in the Interim Order.

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

FILED & ENTERED

SEP 06 2018

CLERK U.S. BANKRUPTCY COURT
Central District of California
BY gonzalez DEPUTY CLERK

CHANGES MADE BY COURT

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

In re

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

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-20181-ER

Chapter 11 Cases

Hon. Judge Ernest M. Robles

INTERIM 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[1]

[1] The Court has made no material changes to the form of this Interim Order; the only changes made are to correct minor typographical errors.

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Upon the emergency motion (the "***DIP Motion***")[2], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") authorizing the Debtors to, among other things: *inter alia*:

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

(ii) Enter into a Debtor-in-Possession Credit Agreement (the "***DIP Credit Agreement***"), a copy of which is attached to the Chou Decl. [Docket No. 32] as **Exhibit 3 Parts I and II**, and other related financing documents (together with the DIP Credit Agreement and DIP Security Agreement, the "***DIP Financing Agreements***"), by and among each of the Debtors and Ally Bank ("***Ally***"), in its capacity as agent ("***DIP Agent***") and in its capacity as lender ("***DIP Lender***,") under the DIP Credit Agreement;

[2] Capitalized terms used herein and not otherwise defined shall have the meaning ascribed in the DIP Motion.

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(iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements, postpetition financing of up to $30,000,000 on a revolving basis (the "***Interim DIP Loan***") and seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this Interim Order;

(iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition financing of up to an additional $155,000,000, for a total of up to $185,000,000, on a revolving basis, which includes the Interim DIP Loan (the "***Final DIP Loan***," and together with the Interim DIP Loan, the "***DIP Loan***") and seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and the Final Order (as defined below);

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

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

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

(viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in accordance with the proposed initial agreed budget covering the initial 13 week period (the "***Initial Agreed Budget***") a copy of which is attached to the Chou Decl. [Docket No. 32] as **Exhibit 2**, and as otherwise provided in the DIP Financing Agreements, this Interim Order and the Final Order;

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(ix) Provide adequate protection to certain of the Prepetition Secured Creditors (defined herein) pursuant to the terms of this Interim Order and the Final Order for any diminution in value of their respective interests in the Prepetition Collateral (as defined herein) resulting from the DIP Liens (as defined herein) on the Prepetition Collateral, subordination to the Carve Out (as defined herein), Debtors' use of Cash Collateral, and other decline in value arising out of the automatic stay or the Debtors' use, sale, depreciation, or disposition of the Prepetition Collateral;

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

(xi) Schedule a final hearing (the "***Final Hearing***") to consider entry of an order (the "***Final Order***") granting the relief requested in the DIP Motion on a final basis and approving the form of notice with respect to the Final Hearing; and

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

The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief Financial Officer filed in support of the DIP Motion and Rich Adcock, CEO filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Motion, the proposed DIP Credit Agreement, and any the exhibits attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the hearing on this Interim Order (the "***Interim Hearing***"); and due and proper notice of the DIP Motion and Interim Hearing having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under the circumstances; and the Interim Hearing having been held and concluded; and it appearing that approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors pending the Final Hearing and is otherwise fair and reasonable and in the best interests of the Debtors, their estates and their creditors, and is essential for the preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this

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Interim Order having been withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM HEARING, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[3]

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

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

C. **Committee Formation** As of the date hereof, the Office of the United States Trustee (the "***U.S. Trustee***") has not appointed any official committee of unsecured creditors in these Cases pursuant to section 1102 of the Bankruptcy Code (the "***Committee***").

D. **Notice**. Notice of the Interim Hearing and notice of the DIP Motion has been provided by the Debtors to: (i) the Office of the United States Trustee for the Central District of California (the "***U.S. Trustee***"); (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis;

[3] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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(vi) counsel to each of the Prepetition Secured Creditors (as defined below); (vii) counsel to the DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for the State of California, Charities Division; and (ix) all other parties known to assert a lien on any of the Debtors' assets. Under the circumstances, such notice of the Interim Hearing and the DIP Motion constitute due, sufficient and appropriate notice and complies with sections 102(1) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b), and the Local Rules, and no other or further notice is required under the circumstances.

E. **Findings Regarding Corporate Authority**. As set forth in the resolutions accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate power and authority to execute and deliver the DIP Financing Agreements to which it is a party and to perform its obligations thereunder.

F. **Intercreditor Agreement**. Pursuant to section 510 of the Bankruptcy Code, but subject to the terms of this Interim Order and the Intercreditor Acknowledgment (as defined herein), the Second Amended and Restated Intercreditor Agreement dated December 1, 2017 (the "***Intercreditor Agreement***") and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors (including the relative priorities, rights and remedies of such parties with respect to the Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable, by the Debtors under this Interim Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of this Interim Order or the DIP Financing Agreements, unless expressly set forth herein or therein.

G. **Prepetition Secured Credit Facilities**. As of the Petition Date, the Debtors were indebted and liable to: UMB Bank, N.A., ("***UMB Bank***") as successor Master Trustee under the Master Trust under master indenture obligations for the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "***2005 Bonds***") and California Public Finance Authority Revenue Notes (Verity Health

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System) Series 2015 A, B, C, and D and the Series 2017 A and B (collectively, the "***Working Capital Notes***" and together with the 2005 Bonds, the "***MTI Obligations***"), Wells Fargo Bank National Association ("***Wells Fargo***") serves as indenture trustee for the Series 2005 Bonds. U.S. Bank National Association ("***U.S. Bank***" and together with Wells Fargo and UMB Bank, the "***Prepetition Agents***") serves as the Collateral Agent and the 2015 Note Trustee and 2017 Note Trustee for the Working Capital Notes. As of the Petition Date, the Debtors were indebted and liable to Verity MOB Financing, LLC and Verity MOB Financing II, LLC (together, "***Verity MOB***" and collectively with the Prepetition Agents and holders of the 2005 Bonds and the Working Capital Notes, the "***Prepetition Secured Creditors***") as holders of security interests in Verity Holdings prepetition accounts, including rents arising from the prepetition MOB Financing (the "***MOB Financing***", and together with the 2005 Bonds and Working Capital Notes, the "***Prepetition Secured Documents***") holding approximately $568,000,000 of debt as set forth on **Exhibit 1** to the Chou Decl. (the "***Prepetition Secured Obligations***") secured by liens on virtually all of the Debtors' assets (the "***Prepetition Liens***").

H. **Prepetition Collateral**. In order to secure the Prepetition Secured Obligations, the Debtors granted the Prepetition Liens to the Prepetition Secured Creditors on substantially all of their assets (the "***Prepetition Collateral***").

I. **Findings Regarding the Postpetition Financing**.

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

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(ii) **Good Cause; Need for Postpetition Financing**. Good cause has been shown for the entry of this Interim Order. An immediate need exists for the Debtors to obtain funds from the Interim DIP Loan in order to continue operations, continue to serve the Debtors mission to provide acute and specialized care for area patients and to administer and preserve the value of their estates. The ability of the Debtors to finance their operations, to preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors requires the availability of working capital from the Interim DIP Loan, the absence of which would immediately and irreparably harm the Debtors, their estates and their creditors and the possibility for a successful reorganization or sale of the Debtors' assets as a going concern or otherwise. The proposed Interim DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

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

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

K. **Application of Sale Proceeds of DIP Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property, including, without limitation, the Facilities and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The Sale Proceeds shall be held in escrow in one or more deposit

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accounts subject to a deposit account control agreement in favor of the DIP Lender (the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled with any other funds of the Debtors or otherwise. The DIP Lender is granted a first priority lien on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Interim Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors subject to any Prepetition Liens and Prepetition Replacement Liens; provided, however, that upon any Debtor's request and with the consent of the DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors on terms and conditions that are acceptable to the DIP Lender in its sole discretion and upon further order of this Court.

L. **Adequate Protection for Prepetition Secured Creditors.** The priming of the Prepetition Secured Creditors' Prepetition Liens to the extent set forth below pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens set forth below, the Prepetition Secured Creditors shall be entitled to receive adequate protection, as set forth in this Interim Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests in the Prepetition Collateral resulting from, among other things, the subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of such Prepetition Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively, and solely to the extent of such diminution in value, the "***Diminution in Value***"). The Prepetition Secured Creditors have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral to help fund the administration of the Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the

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record presented to the Court at the Interim Hearing, the terms of the proposed adequate protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Creditors; provided, however, that nothing herein shall limit the rights of any of the Prepetition Secured Creditors to hereafter seek new, additional, or different adequate protection.

M. **Extension of Financing**. The DIP Lender has indicated a willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement. The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit Agreement and the other DIP Financing Agreements. The DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Interim Order and the DIP Financing Agreements will not be affected by any subsequent reversal or modification of this Interim Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

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

(i) The DIP Lender has indicated a willingness to provide DIP Financing to the Debtors in accordance with the DIP Financing Agreements. The terms and conditions of the DIP Facility and the DIP Financing Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

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

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

(iv) The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Financing Agreements, and the DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this

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Interim Order and the DIP Financing Agreements will not be affected or avoided by any subsequent reversal or modification of this Interim Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

O. **Relief Essential; Best Interest; Good Cause**. The relief requested in the DIP Motion (and as provided in this Interim Order) is necessary, essential, and appropriate for the preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors' estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement. Good cause has been shown for the relief requested in the DIP Motion (and as provided in this Interim Order) solely on an interim basis.

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

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

2. **DIP Financing Agreements.**

(a) **Approval of Entry Into DIP Financing Agreements**. The Debtors are authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Interim Order and the DIP Financing Agreements, and to execute and deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Financing Agreements and the creation and perfection of the DIP Liens described in and provided for by this Interim Order and the DIP Financing Agreements. The Debtors are hereby authorized and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and

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other amounts described in the DIP Credit Agreement as such amounts become due and payable without need to obtain further Court approval, including closing fees, unused line fees, administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, and whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in this Interim Order or the DIP Financing Agreements. All collections and proceeds, whether from ordinary course collections, asset sales, debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Interim Order and the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, including, without limitation, commitment fees and reasonable attorneys' fees and disbursements as provided for in the DIP Credit Agreement, which amounts shall not otherwise be subject to approval of this Court, *provided however,* that notwithstanding section 2.9(a) of the DIP Credit Agreement, following entry of this Interim Order, the Debtors shall pay only $1,600,000 on account of the commitment fee. The Debtors shall pay the deferred balance of the commitment fee required by section 2.9(a) of the DIP Credit Agreement only upon entry of a Final Order approving the DIP Credit Agreement.

(b) **Authorization to Borrow/and or Guarantee**. To enable them to continue to preserve the value of their estates and dispose of their assets in an orderly fashion, during the period prior to entry of the Final Order (the "***Interim Period***") and subject to the terms and conditions of this Interim Order, upon the execution of the DIP Credit Agreement and the other Financing Documents the Debtors are hereby authorized to borrow the Interim DIP Loan up to a total committed amount of $30,000,000 under the DIP Financing Agreements.

(c) **Conditions Precedent.** The DIP Lender shall have no obligation to make the Interim DIP Loan or any loan or advance under the DIP Credit Agreement during the Interim

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Period unless the conditions precedent to making such loan under the DIP Credit Agreement have been satisfied in full or waived by the DIP Lender in its sole discretion.

(d) **DIP Collateral; DIP Liens**. Effective immediately upon the entry of this Interim Order, on account of the Interim DIP Loan, the DIP Lender shall be and is hereby granted first-priority security interests and liens (which shall immediately be valid, binding, permanent, continuing, enforceable, perfected and non-avoidable) on all of the Debtors' property, including, without limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or after the Petition Date (collectively, the "***DIP Collateral***," and all such liens and security interests granted on or in the DIP Collateral pursuant to this Interim Order and the DIP Financing Agreements, the "***DIP Liens***"), but excluding the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA, donor restricted funds held at Philanthropic Foundations, Avoidance Actions (defined below) and any proceeds thereof and any funds held by the Prepetition Agents (including amounts set forth on **Exhibit 1** to the Chou Decl.). The DIP Collateral shall not be subject to any surcharge under section 506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this Court.

(e) **DIP Lien Priority**. Subject only to the Carve Out (as defined below), the DIP Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing, enforceable, non-avoidable first priority senior priming liens and security interests on the DIP Collateral, and shall prime all other liens and security interests on the DIP Collateral, including any liens and security interests in existence on the Petition Date against the Prepetition Collateral, and any other current or future liens granted on the DIP Collateral, including any adequate protection or replacement liens granted on the DIP Collateral (collectively, the "***Primed Liens***") (other than the Debtors' claims and causes of action under sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar actions under the Bankruptcy Code or similar state law (the "***Avoidance Actions***"), whether received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens shall not be made subject to, subordinate to, or *pari passu* with any lien or security interest by any court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid and enforceable against

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any trustee appointed in the Chapter 11 Cases, upon the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (any "***Successor Cases***"), and/or upon the dismissal of any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

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

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

(h) **Additional Protections of DIP Lender: Superpriority Administrative Claim Status**. Subject to the Carve Out (as defined below), all DIP Obligations shall constitute an allowed superpriority administrative expense claim (the "***DIP Superpriority Claim***" and, together with the DIP Liens, the "***DIP Protections***") with priority in all of the Chapter 11 Cases and Successor Cases over all other administrative expense claims under sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any other provision of the Bankruptcy Code except as otherwise set forth herein, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment. The DIP Superpriority Claim shall be payable from and have recourse to all prepetition and post-petition property of the

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Debtors and all proceeds thereof. Without limiting the foregoing, the Superpriority Claim shall not be made subject to, subordinate to, or *pari passu* with any other administrative claim in the Chapter 11 Cases or Successor Cases, except for the Carve Out (as defined below). Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Interim Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Interim Order and terminating upon the occurrence of an Event of Default (as defined below) and the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

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

(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, 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, excluding the prepetition collateral held by WTNA with respect to the Clean Fund Bonds and the NR2 Petros Bonds, donor restricted funds held at Philanthropic Foundations and Avoidance Actions and any proceeds thereof (the "***Prepetition Replacement Liens***"), which shall be junior only to (1) the Carve Out, (2) to the DIP Liens securing the DIP Obligations, and (3)

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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 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. 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.

(b) **Adequate Protection Payments and Protections**. So long as there is no Default or Event of Default under this Interim Order, the Final Order, or the DIP Financing Agreements, the Debtors are also authorized and directed to provide to the Prepetition Secured Creditors monthly adequate protection payments equal to the amount of postpetition, non-default contractual interest on the outstanding balances of the Prepetition Secured Obligations excluding the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA, provided that reference

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to the non-default contractual rate of interest shall not include any Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents, plus monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee, respectively, and reimbursement of reasonable attorney's fees for one set of attorneys for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB Financing (the "***Prepetition Adequate Protection Payments***"). Notwithstanding the foregoing, to the extent the Court enters a final and non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code, that the Prepetition Adequate Protection Payments are not properly allocable to interest on one or more of the respective Prepetition Secured Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-characterized as payment(s) applied to the principal amount of the respective Prepetition Secured Obligations.

(c) **Prepetition Superpriority Claim**. To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below, an allowed superpriority administrative expense claim (the "***Prepetition Superpriority Claims***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising of any kind or nature whatsoever including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d), 552,

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726, 1113 and 1114 of the Bankruptcy Code, and upon entry of the Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition Superpriority Claim 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 have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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 Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

(d) **Validity, Perfection and Amount of Prepetition Liens**. The Debtors further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the Prepetition Secured Obligations on the Prepetition Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition Secured Creditors and (b) the Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral. The findings and stipulations set forth in this Interim Order with respect to the validity, enforceability and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and

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all of their successors in interest and assigns, including the Committee, unless, and solely to the extent that, a party in interest with requisite standing and authority (other than the Debtors, as to which any Challenge (as defined below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens (each such proceeding or appropriate pleading commencing a proceeding or other contested matter, a "***Challenge***") within ninety (90) days from the formation of the Committee (the "***Challenge Deadline***"); *provided however* that the filing by the Committee of a motion for standing to prosecute a Challenge shall automatically toll the Challenge Deadline; and *provided further*, that the "Challenge Deadline" for matters solely relating to the value of the Prepetition Collateral may be further extended to such time as may be agreed by the parties or further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be amended upon further order of this Court and the consent of both the Prepetition Secured Creditors and the DIP Lender. The Debtors shall not use the Prepetition Collateral or its proceeds to investigate or prosecute claims against the Prepetition Secured Creditors, including Avoidance Actions, *provided however* that the Committee may investigate the existence of such claims and have allowed fees paid from the Prepetition Collateral and the proceeds of the DIP Facility up to the amount of $50,000, *provided further however* that no Prepetition Collateral, the proceeds thereof or the proceeds of the DIP Facility may be used to prosecute claims against Prepetition Secured Creditors. For the avoidance of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition Secured Creditors from any Challenge raised by third parties, including the Committee, to the validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition Liens.

(e) **Sections 506(c) and 552(b)**. In light of the Prepetition Secured Creditors' agreement that their Prepetition Liens shall be subject to the Carve Out and subordinate to the DIP Liens, the Prepetition Secured Creditors are each entitled to a waiver of any "equities of the

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case" exception under section 552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the Bankruptcy Code.

(f) Nothing contained in this Interim Order shall prevent the Prepetition Secured Creditors from application or use of the funds held by the Prepetition Agents in accordance with the Prepetition Secured Documents.

5. **Budget Maintenance**. The proceeds of the DIP Loan under the DIP Facility and the use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the DIP Financing Agreements and the DIP Budget. The Initial Agreed Budget delivered to the DIP Agent shall be accompanied by such supporting documentation as reasonably requested by the DIP Agent. The DIP Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the U.S. Trustee and counsel for the Prepetition Secured Creditors after it has been approved in accordance with the DIP Financing Agreements. Except to the extent required by the DIP Agent to accommodate the Prepetition Adequate Protection Payments, for the duration of this Interim Order, the DIP Budget may not be amended without the prior consent of the Prepetition Secured Creditors.

6. **Budget Compliance and Reporting**. The Debtors shall comply with the DIP Budget as and when required under the DIP Credit Agreement (subject to the variances set forth therein). The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the Committee, should a Committee be appointed, such information to include reasonably complete details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock Declaration and such information to be timely provided, sufficient for the Prepetition Secured Creditors to file an objection with this Court on two business days notice. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of

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any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and binding confidentiality agreements, prior to any hearing to consider entry of a Final Order related to this DIP Motion, the Debtors shall provide to the Prepetition Secured Creditors information concerning (i) the Debtors' efforts to obtain debtor in possession financing proposals, including any proposals the Debtors received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted, copies of any proposals or expressions of interest, and other information concerning these matters the Prepetition Secured Creditors may reasonably request.

7. **Postpetition Lien Perfection.** This Interim Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens and Prepetition Replacement Liens without the necessity of filing or recording any financing statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be required under the law of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement or obtaining possession of any possessory collateral) to validate or perfect the DIP Liens or Prepetition Replacement Liens, or to entitle the DIP Liens and Prepetition Replacement Liens the respective priorities granted herein. Notwithstanding and without limiting the foregoing, the DIP Lender may file such financing statements, mortgages, deeds of trust, notices of liens and other similar documents as it deems appropriate, and it is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, deeds of trust, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of the Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the DIP Lender all such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents as the DIP Lender may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such financing

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statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents shall be considered DIP Financing Agreements for all intents and purposes. The DIP Lender, in its discretion, may file a certified copy of this Interim Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the recording officer shall be authorized to file or record such copy of this Interim Order. To the extent that the Prepetition Agents or Verity MOB is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements, bailee letters, custom broker agreements, financing statement, account control agreements, or any other Prepetition Secured Documents or is listed as loss payee or additional insured under any of the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under such documents or to be the loss payee or additional insured, as applicable.

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

9. **Proceeds of Subsequent Financing**. If the Debtors, any trustee, any examiner with expanded powers, or any responsible officer subsequently appointed in these Chapter 11 Cases or any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections 364(b), 364(c), or 364(d) or in violation of the DIP Financing Agreements at any time prior to the indefeasible repayment in full of all DIP Obligations and Prepetition Secured Obligations (to the extent such remain outstanding), and the termination of the DIP Agent's and the DIP Lenders' obligation to extend credit under the DIP Facility, including subsequent to the confirmation of any chapter 11 plan of reorganization with respect to any or all of the Debtors and the Debtors'

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estates, and such facility is secured by any DIP Collateral, then all the cash proceeds derived from such credit or debt shall immediately be turned over to the DIP Agent to be applied in accordance with this Interim Order and the DIP Financing Agreements.

10. **Cash Collection**.

(a) From and after the date of the entry of this Interim Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in accounts as specified in the DIP Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to time) (collectively, the "***Cash Collection Accounts***"), which accounts shall be subject to the sole dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP Agent that, unless a "Default" or an "Event of Default" under the DIP Credit Agreement has occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall be authorized to use such Cash Collateral in accordance with this Interim Order. All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the DIP Agent and the Prepetition Agents and Verity MOB or as set forth in this Interim Order, the Debtors shall maintain no accounts except those identified in the interim cash management order entered by the Court with respect thereto (the "***Cash Management Order***"), whether now existing or hereafter established. The Debtors and the financial institutions where the Debtors' Cash Collection Accounts are maintained (including those accounts identified in the Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent.

(b) Notwithstanding anything in this Interim Order or any of the DIP Financing Agreements, from and after the date of the entry of this Interim Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become

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entitled at any time, shall promptly be deposited into a depository account furnished by a depository bank acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject to the sole dominion and control of the DIP Agent (such account, the "***DIP Collateral Account***"). The Debtors' use of the proceeds in the DIP Collateral Account shall be subject to this Interim Order and the DIP Financing Agreements.

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

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

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

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

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

15. **Carve Out**. The DIP Liens, DIP Superpriority Claim, and Replacement Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the Bankruptcy Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the "***U.S. Trustee Fees***"), together with interest, if any, at the statutory rate; and (ii) all allowed claims for unpaid fees, costs and expenses incurred by persons or firms retained ~~retrain~~ by the Debtors or the Committee, if any, whose retention is approved by the Bankruptcy Court pursuant to any one or more of sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs and expenses are both (a) allowed by the Bankruptcy Court pursuant to the Final Order, and (b) in accordance with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable time frame (the "***Carve Out Expenses***"); provided that the aggregate amount of such Carve Out Expenses shall not exceed (a) $2,000,000 with respect to persons or firms retained by the Debtors, and (b) $75,000 with respect to persons or firms retained by the Committee (collectively, the "***Carve Out Amount***"). Any payment or reimbursement made after the Carve Out Trigger Date in respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a dollar-for-dollar basis.

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

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extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the adequate protection granted herein, *provided however*, that nothing in this Interim Order shall limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors as adequate protection payments

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

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

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

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

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

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

20. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 5, 2019 (the "***Scheduled Termination Date***"); (ii) the earlier of: (a) the date that is thirty (30) days from entry of this Interim Order unless a final, non-appealable order of the Bankruptcy Court authorizing the DIP Facility in form and substance satisfactory to the DIP Lender in its sole and absolute discretion has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Lender may approve in writing in its sole and absolute discretion), (b) the date the Court denies entry of the Final Order, or (c) the date of revocation of this Interim Order or the Final Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Bankruptcy Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Bankruptcy Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***"). The occurrence of the Commitment Termination Date, shall also constitute, subject to further Court order, termination of the Prepetition Secured Creditors' consent to the Debtors' use of their prepetition cash collateral.

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

22. **Events of Default.** The occurrence of a "Default" or an "Event of Default" pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the "Bankruptcy Defaults" enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of default under this Interim Order, unless expressly waived in writing in accordance with the consents required in the DIP Financing Agreements.

23. **Rights and Remedies Upon Event of Default.**

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

(b) Notwithstanding the preceding paragraph, immediately following the giving of notice by the DIP Lender of the occurrence and continuance of an Event of Default, the DIP Lender shall have the right in its sole discretion to take any or all of the following actions: (i) declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare the unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other DIP Financing Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by any Debtor; (iii) reduce the advance rates in

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respect of Eligible Accounts (as defined in the DIP Credit Agreement) or take additional reserves against or otherwise modify the Borrowing Base; and (iv) exercise all rights and remedies available to the DIP Agent and the DIP Lenders under the DIP Financing Documents, including any right of set-off under Section 11.21 of the DIP Credit Agreement, or under the UCC or any other applicable law; *provided, however*, that upon the occurrence of an Event of Default under the DIP Credit Agreement, the obligation of the DIP Lenders to make the DIP Loan shall automatically terminate, the unpaid principal amount of all outstanding DIP Loans and other DIP Obligations and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the DIP Agent or any DIP Lender.

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

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

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

26. **Proofs of Claim**. The DIP Lender will not be required to file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Creditors.

27. **Other Rights and Obligations**.

(a) **Good Faith Under Section 364(e) of the Bankruptcy Code. No Modification or Stay of this Interim Order.** The Debtor, the DIP Lender and the Prepetition Secured Creditors have acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and authorizing use of Cash Collateral and rely on this Interim Order ~~is~~ in good faith. Based on the findings set forth in this Interim Order and the record made during the Interim Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Interim Order are hereafter reversed, modified, amended or vacated by a subsequent order of this or any other Court, the DIP Lender and Prepetition Secured Creditors are entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or vacatur shall not affect the validity and enforceability of any advances made pursuant to this Interim Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens or the Prepetition Replacement Liens. Any claims or DIP Protections granted to the DIP Lender hereunder, or adequate protection ~~grant~~ granted to the Prepetition Secured Creditors hereunder, arising prior to the effective date of such reversal, modification, amendment or vacatur, shall be governed in all respects by the original provisions of this Interim Order, and the DIP Lender and Prepetition Secured Creditors shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections and adequate protection granted herein, with respect

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to any such claims. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Interim Order, the obligations owed to the DIP Lender or the Prepetition Secured Creditors prior to the effective date of any reversal or modification of this Interim Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Lender or Prepetition Secured Creditors under this Interim Order and/or the DIP Financing Agreements.

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

(c) **No Waiver**. The failure of the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this Interim Order or otherwise, as applicable, shall not constitute a waiver of the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Lender may have pursuant to this Interim Order, the DIP Financing Agreements, or applicable law. Nothing in this Interim Order shall interfere with the rights of any party with respect to any non-Debtors.

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

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

(f) **Amendment.** The Debtors and the DIP Lender may amend or waive any provision of the DIP Financing Agreements, on notice to the Office of the U.S. Trustee, the Committee (if appointed), and the Prepetition Secured Creditors. The Debtors shall give each Pre-Petition Secured Creditor notice concurrent with giving such notice or request to the DIP Agent for any amendment or waiver of the DIP Financing Agreements and, without prejudice to the effectiveness of any such amendment or waiver, each Pre-Petition Secured Creditor shall have the right to file a motion objecting to such amendment. Nothing in this DIP Order shall authorize the DIP Agent or DIP Lenders to increase the commitments in excess of the commitments set forth in this Interim Order, increase the contract interest rate, defined in the DIP Credit Agreement as the Applicable LIBOR Margin, or Default Rate or extend the maturity date, defined in the DIP Credit Agreement as the "Scheduled Termination Date". Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all the Debtors and the DIP Lender, and, if material, approved by the Bankruptcy Court. Nothing herein shall preclude the Debtors and the DIP Lender from implementing any amendment or waiver of any provision of the DIP Financing Agreements.

28. **Survival of Interim Order and Other Matters.** The provisions of this Interim Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and

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

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

(b) **Enforceability**. This Interim Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Interim Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Interim Order. The rights of all parties in interest to object to the terms of the Final Order, the DIP Credit Agreement and any other DIP Financing Agreements at the Final Hearing are expressly reserved.

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled on an interim basis.

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(d) **No Waivers or Modification of Interim Order**. The Debtors irrevocably waive any right to seek any modification or extension of this Interim Order without the prior written consent of the DIP Lender and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Lender. 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 Lender with respect to any other non-Debtor or any of their assets.

29. **Final Hearing.**

(a) The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for October 3, 2018 at 10:00 a.m. Pacific time at the United States Bankruptcy Court for the Central District of California. If no objections to the relief sought in the Final Hearing are filed and served in accordance with this Interim Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtors and entered by this Court.

(b) On or before September 12, 2018, the Debtors shall serve, by United States mail, first-class postage prepaid, notice of the entry of this Interim Order and of the Final Hearing (the "***Final Hearing Notice***"), together with copies of this Interim Order, the proposed Final Order and the DIP Motion, on: (i) the Office of the U.S. Trustee; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Office of the Attorney General for the State of California, Charities Division, Attn: Alicia Berry (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis; (vi) counsel to the DIP Lender; (vii) counsel to each of the Prepetition Secured Creditors; (viii) counsel of record representing patients of Debtors with litigation pending against the Debtors as of the Petition Date; (ix) all other known parties asserting a lien on the Debtors' assets; (x) the parties having been given notice of the Interim Hearing; and (xi) any party which has filed prior to such date a request for notices with this Court. The Final Hearing Notice shall state that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no later than September 19, 2018 at 4:00 p.m. Pacific time, which objections shall be served so that the

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same are received on or before such date by: (a) bankruptcy counsel for the Debtors, Dentons US LLP, 602 South Figueroa, Suite 2500, Los Angeles, California 90017 - 570, Attn: Samuel Maizel; (b) counsel for the DIP Lender, Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, TN 37219, Attn: David E. Lemke, Esq.; (c) counsel to the Committee, if any; (d) the Office of the United States Trustee for the Central District of California, 915 Wilshire Blvd., Suite 1850, Los Angeles, CA 90017, Attn: Jill Sturtevant, (e) counsel for U.S. Bank as 2015 Notes Trustee, McDermott, Will & Emory, 227 W. Monroe Street, Chicago, IL 60606-5096, (f) counsel for UMB Bank as successor Master Trustee, Mintz, Levin, Cohen, Ferris, Glovsky and Popeo PC, 1 Financial Center, Boston, MA 02111, Attn: Dan Bleck, (g) counsel for Verity MOB, Jones Day, 555 South Flower Street Fiftieth Floor, Los Angeles, California 90071 and (h) counsel for U.S. Bank as 2017 Notes Trustee, Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attn: Clark Whitmore, and any reply filed by the Debtors or any party supporting entry of the Final Order shall be filed with the Clerk of the United States Bankruptcy Court for the Central District of California, in each case to allow actual receipt of the foregoing no later than September 26, 2018, at 4:00 p.m. Pacific time. Notwithstanding the terms of this Interim Order, this Court is not precluded from entering a Final Order containing provisions that are inconsistent with, or contrary to any of the terms in this Interim Order, subject to the protections under Section 364(e) and the rights of the DIP Lender to terminate the DIP Credit Agreement if such Final Order is not acceptable to them. In the event this Court modifies any of the provisions of this Interim Order or the DIP Financing Agreements following such further hearing, such modifications shall not affect the rights and priorities of DIP Lender pursuant to this Interim Order with respect to the DIP Collateral, and any portion of the DIP Obligations which arises or is incurred, advanced or paid prior to such modifications (or otherwise arising prior to such modifications), and this Interim Order shall remain in full force and effect except as specifically amended or modified at such Final Hearing.

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Date: September 6, 2018

Ernest M. Robles
United States Bankruptcy Judge

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United States Bankruptcy Court
Central District of California
Los Angeles
Judge Ernest Robles, Presiding
Courtroom 1568 Calendar

Wednesday, September 5, 2018 **Hearing Room 1568**

10:00 AM
2:18-20151 Verity Health System of California, Inc. **Chapter 11**

#26.00 HearingRE: [31] Emergency motion Emergency Motion Of Debtors For Interim And Final Orders (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; Memorandum Of Points And Authorities In Support Thereof; Declaration Of Anita Chou In Support Thereof (Maizel, Samuel)

Docket 31

Matter Notes:

9/6/2018

The amended tentative ruling will be the order.
Party to lodge order: Movant

POST PDF OF TENTATIVE RULING TO CIAO

Tentative Ruling:

9/6/2018

Subject to any opposition which may be presented at the hearing, the Court is prepared to authorize the Debtors to borrow $30 million on an interim basis. A Final Hearing shall be held on **October 3, 2018, at 10:00 a.m.** (Amended after hearing in RED to set forth additional agreed-upon provisions placed on the record at the hearing regarding amendments to the DIP Financing Agreements.)

Pleadings Filed and Reviewed:

1) Emergency Motion of Debtors for Interim and Final Orders (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 [Doc. No. 31] (the "Financing Motion" or "Motion")
   a) Declaration of Richard G. Adcock in Support of Emergency First-Day

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10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

Motions [Doc. No. 8]

b) Declaration of Anita Chou, Chief Financial Officer, in Support of Motion for Interim Order Authorizing (A) Use of Cash Collateral; (B) Debtor in Possession Credit Agreement; (C) Grant of Superpriority Priming Liens to DIP Lender; and (D) Grant of Junior Liens on Post-Petition Accounts and Inventory as Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§105(A), 363(C)(2), and 364(C) and (D)

c) Order Setting Hearing on First Day Motions [Doc. No. 18]

d) Amended Notice of Hearings on Emergency First-Day Motions Filed by Debtors [Doc. No. 34]

2) Attorney General's Initial Limited Objection to Debtor's Emergency First Day Motions [Doc. No. 60]

3) Combined Reservation of Rights of U.S. Bank National Association, as Series 2015 Note Trustee and as Series 2017 Note Trustee, to Emergency Motion of Debtors for Interim and Final Orders (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 [Doc. No. 67]

I. Facts and Summary of Pleadings

A. Background

On August 31, 2018, Verity Health Systems of California ("VHS") and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On August 31, 2018, the Court entered an order granting the Debtors' motion for joint administration of the Debtors' Chapter 11 cases. Doc. No. 17.

Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate member of the following five Debtor nonprofit public benefit corporations that operate acute care hospitals: O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, and Seton Medical Center Coastside (collectively, the "Hospitals"). Adcock Decl. [Doc. No. 8] at ¶11. VHS, the Hospitals, and their affiliated entities (collectively, the "Verity Health System") operate a nonprofit health care system in the State of California, with approximately 1,680 in patient beds, six active emergency rooms, a trauma center, and various medical specialties. *Id.* at ¶12. In 2017, the Hospitals provided medical services to over 50,000 inpatients and approximately 480,000

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CONT... Verity Health System of California, Inc. **Chapter 11**

outpatients. *Id.*

Debtor Verity Medical Foundation ("VMF"), incorporated in 2011, is a medical foundation that contracts with physicians and other healthcare professionals to provide patient care throughout California. *Id.* at ¶14. VMF offers medical, surgical, and related healthcare services at community-based, multi-specialty clinics located in areas served by the Debtor Hospitals. *Id.*

Verity Holdings LLC ("Holdings"), a direct subsidiary of its sole member VHS, was created in 2016 to hold and finance Verity's interests in six medical office buildings whose tenants are primarily physicians, medical groups, healthcare providers, and certain of the Hospitals. *Id.* at ¶15. Holdings' real estate portfolio includes over 30 properties. *Id.*

Debtors Saint Louise Regional Hospital Foundation, St. Francis Medical Center Foundation, St. Vincent Medical Center Foundation, Seton Medical Center Foundation, and O'Connor Medical Center Foundation handle fundraising and grant-making programs for each of their respective Debtor Hospitals. *Id.* at ¶16.

As of August 30, 2018, the Debtors' facilities had approximately 850 patients, and are currently at approximately 50% occupancy. *Id.* at ¶17. As of August 31, 2018, the Debtors have approximately 7,385 employees, of whom 4,733 are full-time employees. *Id.* at ¶18. Approximately 74% of these employees are represented by collective bargaining units. *Id.*

VHS operates Debtor Verity Business Services ("VBS"), a nonprofit public benefit corporation. *Id.* at ¶30. VBS provides support services to the Verity Health System, including accounting, finance, patient financial services, supply chain management, and purchasing services. *Id.*

O'Connor Hospital operates a 358 bed, general acute care hospital that serves residents from the greater San Jose area, and contains an emergency department with 23 emergency treatment stations. *Id.* at ¶32. St. Vincent Medical Center operates a 366 bed, regional acute care facility located in Los Angeles, CA. *Id.* at ¶34. St. Vincent Medical Center is the sole corporate member of the St. Vincent Dialysis Center, located on the Hospital's campus. *Id.* at ¶36. St. Vincent Dialysis Center provides dialysis services for kidney disease patients. *Id.*

St. Francis Medical Center operates a 384 bed, general acute care hospital located in Lynwood, California. *Id.* at ¶37. Seton Medical Center operates a 357 bed hospital located in Daly City, California. *Id.* at ¶39. Seton Coastside is located in the City of Half Moon Bay, California, and contains 116 skilled nursing beds and five general, acute-care beds. *Id.* at ¶40. Saint Louise Hospital is located in Gilroy, California and

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CONT... Verity Health System of California, Inc. **Chapter 11**

operates a 93 bed, general acute care hospital. *Id.* at ¶42.

DePaul Ventures, LLC is a wholly-owned and operated holding company of the Debtors that was formed in August 2010 for the purpose of investing in a freestanding surgery center and other healthcare entities. *Id.*at ¶45. In April 2013, DePaul Ventures, LLC formed DePaul Ventures—San Jose Dialysis, LLC ("Dialysis"), a general and limited partner of Priday Dialysis, LLC ("Priday"). Priday—which is not a Debtor—is a healthcare center specializing in end-stage renal disease treatment. *Id.* at ¶46.

Non-Debtor Marillac Insurance Company, Ltd. ("Marillac") is a wholly-owned subsidiary of VHS, and was incorporated in the Cayman Islands on December 9, 2003. *Id.* at ¶49. Significant insurance is issued to the Debtors by its captive insurer Marillac. *Id.* at ¶68. Policies issued by Marillac cover professional and general liability.

B. The Financing Motion

The Debtors make the following arguments and representations in support of the Financing Motion:

Debtors seek authorization to enter into a senior secured, superpriority debtor in possession financing facility with Ally Bank, a subsidiary of Ally Financial, Inc. (the "DIP Lender"), in (a) an interim amount not to exceed $30 million, and (b) after a final hearing, in an amount up to total lending of not more than $185 million (such financing, the "DIP Facility").

VHS, VBS, and VHS' five acute care hospital subsidiaries (O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, and Seton Medical Center Coastside) are jointly obligated parties on approximately $461.4 million in outstanding secured debt consisting of (a) $259.4 million in outstanding principal amount of tax exempt revenue bonds, Series 2005 A, G and H issued by the California Statewide Communities Development Authority (the "2005 Bonds") and (b) $202 million in outstanding principal amount of tax exempt revenue notes, Series 2015 A, B, C, and D and Series 2017 issued by the California Public Financing Authority (the "Working Capital Notes").

For the 2005 Bonds, Wells Fargo Bank, N.A. ("Wells Fargo") is the Bond Trustee and UMB Bank, N.A. ("UMB") is the successor Master Trustee. The 2005 Bonds were issued to provide funds for capital improvements and to refinancing certain tax exempt bonds that had been issued in 2001. For the Working Capital Notes, U.S.

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Bank, N.A. ("U.S. Bank") is the Note Trustee and Collateral Agent. (The Working Capital Notes, together with the 2005 Bonds, are collectively referred to as the "MTI Obligations" ("MTI" is an abbreviation for "Master Trustee Indenture").)

Holdings, a direct subsidiary of its sole member VHS, was created in 2016 to hold and finance VHS' interests in six medical office buildings whose tenants are primarily physicians and medical groups affiliated with certain of the Hospitals operated by the Debtors. Holdings' real estate portfolio consists of over 30 properties, including, but not limited to, apartment buildings, parking lots, and condominiums. Holdings is the borrower on approximately $66 million on two series of non-recourse financing secured by separate deeds of trust and revenue and accounts pledges, including lease rents on medical buildings (the "MOB Financing"). The secured lenders for the MOB Financing are affiliates of NantWorks, LLC, which is an affiliate of the Debtors' prepetition manager, Integrity Healthcare, LLC ("Integrity") (Integrity has not sought bankruptcy protection).

Debtor Seton Medical Center is liable for repayment of $20 million of limited obligation tax exempt bonds issued in September 2017 by the California Statewide Communities Development Authority (the "Clean Fund Bonds"). The Clean Fund Bonds were issued to assist with clean energy-related capital improvements to Seton Medical Center. No other Debtor is liable for repayment of the Clean Fund Bonds. Wilmington Trust National Association ("WTNA") is the Trustee holding the construction funds raised in connection with the Clean Fund Bonds.

Debtor Seton Medical Center is also liable for repayment of $20 million in California 30-year tax exempt bonds, issued in September 2017 for the purpose of seismic improvements at Seton Medical Center (the "NR2 Petros Bonds"). No other Debtor is liable for repayment of the NR2 Petros Bonds. WTNA is the Trustee holding the construction funds raised in connection with the NR2 Petros Bonds.

NantCapital, LLC has provided $40 million in unsecured debt financing for VHS, as reflected in two $20 million unsecured notes dated March 7, 2018 and March 29, 2018 (the "Unsecured Notes").

All of the Debtors' income is subject to prepetition perfected pledges. The gross revenue of the Hospitals is pledged in favor of the 2005 Bonds. The prepetition accounts receivable and government receivables of the Hospitals are pledged in favor of the Working Capital Notes. As of August 31, 2018 (the "Petition Date"), the Debtors had less than $40 million of cash on hand that is not subject to control accounts in favor of either the 2005 Bonds, the Working Capital Notes, or the MOB Financing (excluding cash held by WTNA on account of the Clean Fund Bonds and/or

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the NR2 Petros Bonds). The Debtors expect to spend approximately $113 million during the first four weeks of the case; operating cash losses for this period are expected to exceed $11 million. These figures do not include critical vendor payments, adequate protection payments, pension contributions, or capital expenditures.

As of the Petition Date, the Debtors anticipate having in excess of $219 million in net accounts receivable, and expect to generate approximately $80 million in new post-petition receivables during the first four weeks of the case. U.S. Bank, as Note Trustee for the Working Capital Notes, asserts that all postpetition receipts are proceeds of prepetition accounts receivable and prepetition government receivables and as such constitute priority collateral for the Working Capital Notes.

The terms of the DIP Facility are the result of a wide-ranging market exploration by the Debtors and their professionals. Beginning the week of July 23, 2018, Cain Brothers, a division of KeyBanc Capital Markets ("Cain"), acting as investment advisers to the Debtors, began searching for DIP financing. Cain consulted with 16 potential DIP Lenders. Cain's efforts yielded four offers for debtor-in-possession financing. The Debtors believe the financing offered by Ally Bank (the "DIP Lender") to be the most favorable.

To secure the DIP Facility, the Debtors propose to grant the DIP Lender first priority priming liens on, and security interests in, substantially all of the Debtors' assets, subject to a Carve-Out not to exceed (a) $2 million for fees accrued by professionals retained by the Debtors and (b) $75,000 for fees accrued by professionals retained by the Official Committee of Unsecured Creditors (the "Committee").

Secured Creditors will receive the following adequate protection:

1) Secured Creditors in connection with the 2005 Bonds, Working Capital Notes, and MOB Financing shall receive post-petition, non-default interest. WTNA, which holds the cash raised in connection with the Clean Fund Bonds and NR2 Petros Bonds, will not receive interest payments.
2) To the extent of any diminution in value of their interests, Secured Creditors shall receive replacement liens.
3) To preserve the prepetition value of the Debtors' real property and improvements, the Debtors will use the DIP Facility Proceeds and cash collateral to continue to maintain such property in good repair.
4) To the extent of any diminution in the value of their interests, Secured Creditors shall have an allowed superpriority administrative expense

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claim.

B. The Attorney General's Limited Objection

The California Attorney General (the "Attorney General") filed a Limited Objection to the Financing Motion. The Attorney General makes the following arguments and representations in support of the Limited Objection:

> The Debtors are nonprofit public benefit corporations that hold charitable gifts and assets that are restricted for a specific purpose. Those restricted gifts and assets are not to be used for any other purposes than the restricted purpose and should not be available to creditors unless authorized in the restriction.
>
> Restricted donations to nonprofit corporations have been held not to be property of the bankruptcy estate and therefore not available for distribution to general creditors. *See In re Save Our Springs (S.O.S.) All., Inc.*, 388 B.R. 202, 249 (Bankr. W.D. Tex. 2008), *aff'd sub nom. In re Save Our Springs All., Inc., No. A-08-CA-727 LY, 2009 WL 8637183 (W.D. Tex. Sept. 29, 2009), aff'd sub nom. In re Save Our Springs (S.O.S.) All., Inc.*, 632 F.3d 168 (5th Cir. 2011); *Hunter v. St. Vincent Medical Center (In re Parkview Hosp.)*, 211 B.R. 619, 621 (Bankr. N.D. Ohio 1997).
>
> Restricted charitable funds held by the Debtors are held in a charitable trust, must be used for the restricted purposes, are not subject to liens or other encumbrances, are not available to cover operating expenses or other activities of the nonprofit corporation, and are not available either for distribution to the general creditors or to be used as cash collateral.
>
> Debtors' Financing Motion seeks entry of interim and final orders which include provisions that inappropriately provide for liens on the charitable trust assets that may not be subject to such liens or other encumbrances.
>
> Any order authorizing the use of cash collateral or approving debtor-in-possession financing should contain the following language:
>
> > Nothing in this order shall create or validate liens on or allow the use of any assets that are not assets of, or subject to being encumbered by, the debtors under applicable law. These assets may include, but are not limited to, restricted charitable funds.
> >
> > Nothing in this order shall in any way diminish the obligation of any entity, including the debtors, to comply with applicable state law and conditions including, but not limited to, charitable trust laws and the conditions set forth

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in the California Attorney General's Decision dated December 3, 2015. Further, nothing in this order or the budget shall prevent the debtor from complying with any such obligations or conditions.

C. U.S. Bank's Combined Reservation of Rights

U.S. Bank responds to the Financing Motion as follows:

Subject to acceptable adequate protection, U.S. Bank, in its capacity as the 2015 Note Trustee and the 2017 Note Trustee, supports an order approving the DIP Facility and the Debtors' use of cash collateral. The Notes Trustee acknowledges that the Debtors face a serious liquidity crisis and urgently require some level of debtor-in-possession financing and use of cash collateral on an interim basis.

The Notes Trustee wants to make sure that the amount of money borrowed by the Debtors on an interim basis is truly necessary. For example, the proposed authorization for $20 million to pay Critical Vendors seems extraordinary, and the Debtors have not yet demonstrated that such a large allocation is truly critical or appropriate.

In addition, given that the Debtors' facilities are being marketed for sale, the Debtors should be required to demonstrate why allocation of approximately $8.3 million toward capital expenditures in the first 13-week period of the case (including allocation of $5.72 million in the first 30 days) is necessary. Such expenditures would benefit the eventual purchasers of the facilities but would not benefits the Debtors' estates or their senior secured creditors.

The interim and final orders on the Financing Motion need to include protections that respect the separateness of each bankruptcy estate, including separate budgets for borrowings and repayments of the DIP Facility. Certain of the Hospitals, such as the St. Francis Medical Center on which the Notes Trustee has priority liens, are cash flow positive. The Debtors should be required to account for and report on their use of the DIP Facility on an entity-by-entity basis.

The Notes Trustee has discussed its position on other issues with the Debtors, and believes that the Debtors are amenable to including language in the Financing Order resolving the concerns of the Notes Trustee. Specifically, the following issues have been addressed:

1) In the Financing Motion, the Debtors propose to limit the adequate protection payment of the Notes Trustee's fees and expenses to out-of-pocket expenses incurred with respect to *one* law firm and *one* financial advisor. Because the

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2015 Notes and 2017 Notes were issued under separate indentures and have separate collateral rights, they have separate trustees. The Notes Trustee has discussed with the Debtors its position that there is no justification for limiting U.S. Bank to one counsel with respect to both trusteeships. The Notes Trustees believe that the Debtors are amenable to including language in the order resolving this issue.

2) The 2017 Note Trustee holds the only lien in the Moss Property under the Moss Deed of Trust. The proposed interim order on the Motion does preserve the relative priority of the Notes Trustee and the Master Trustee as provided in the Intercreditor Agreement, but does not preserve the relative prepetition priority of the 2017 Note Trustee in the Moss Property. The Notes Trustee has suggested language for the interim order on the Motion to clarify that the prepetition priority status of the Moss Deed of Trust will not be primed by Replacement Liens. Based on its discussions with the Debtors, the Notes Trustee believes that the Debtors are amenable to including this language in a revised form of interim order to be filed with the Court.

II. Findings and Conclusions

A. The Attorney General's Limited Objection is Overruled Only for Purposes of this Hearing

The Attorney General asserts that certain of the Debtors' assets are may not be distributed to creditors and are unavailable for general operating expenses because those assets are restricted charitable funds held in charitable trust. In support of this contention, the Attorney General points to various requirements imposed by the Attorney General upon the Debtors' operations in connection with a *System Restructuring and Supporting Agreement* dated December 3, 2015 (the "Agreement").

In the Agreement, the Attorney General consents to a change of control in the operation of the Debtors, provided the Debtors comply with various conditions, which include, among others, the following:

1) A fifteen-year prohibition on selling, transferring, or otherwise alienating the Hospitals operated by the Debtors.
2) A ten-year requirement that emergency departments at various Debtor Hospitals be operated in accordance with minimum requirements.
3) Requirements pertaining to the type of health care that the Debtor Hospitals must provide.
4) Requirements that the Debtor Hospitals furnish specified amounts of

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charitable care.

Notably, there is nothing in the Agreement that references or discusses any funds held by the Debtors that are the subject of a charitable trust.

In his Limited Objection, the Attorney General cites various decisions which held that funds that are part of an irrevocable, restricted charitable trust are not property of the bankruptcy estate. *See, e.g.*, *In re Parkview Hosp.*, 211 B.R. 619, 634 (Bankr. N.D. Ohio 1997), *In re Roman Catholic Archbishop of Portland in Oregon,* 345 B.R. 686, 704 (Bankr. D. Or. 2006), and *In re Bishop Coll.,* 151 B.R. 394, 398 (Bankr. N.D. Tex. 1993). *Parkview Hospital*, *Roman Catholic Arhbishop of Portland*, and *Bishop Coll.* stand for the unremarkable proposition that funds that are the property of an irrevocable charitable trust are not property of the bankruptcy estate.

In contrast to *Parkview Hospital*, *Roman Catholic Archbishop of Portland*, or *Bishop Coll.*, the Attorney General has not introduced specific evidence indicating that the Debtors hold custody over assets that are subject to an irrevocable charitable trust, such that those assets would not be property of the estate. On the record before it, the Court cannot conclusively rule out that the Debtors might have custody over assets that are part of an irrevocable charitable trust of the type at issue in *Parkview* and related cases, such that those assets would not constitute estate property. But the Attorney General has proffered no evidence that any of the Debtors' assets are the subject of such a trust.

Though it is not entirely clear, the Attorney General's argument appears to be that because the Debtors are public benefit corporations, *all* or almost all of the Debtors' assets are impressed with a charitable trust as a matter of law, and that accordingly such assets are either not property of the estate or may not be used by the Debtors in the postpetition operation of their estates. For purposes of this hearing only, the Court declines to adopt the Attorney General's position. It may be that the Debtors have custody over assets that are the subject of an irrevocable charitable trust and that are not property of the estate. However, there is currently no evidence before the Court establishing the presence of such assets. Therefore, at this juncture, the Court will not require that the interim order issued in connection with the Financing Motion contain the language suggested by the Attorney General. The Court's findings on the charitable trust issue are for purposes of this hearing only, and the Attorney General may raise such arguments in connection with future hearings.

B. DIP Financing

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Section 364 provides in relevant part:

(c) If the trustee is unable to obtain unsecured credit allowable under section 503(b)(1) of this title as an administrative expense, the court, after notice and a hearing, may authorize the obtaining of credit or the incurring of debt—

(1) with priority over any or all administrative expenses of the kind specified in section 503(b) or 507(b) of this title;

(2) secured by a lien on property of the estate that is not otherwise subject to a lien; or

(3) secured by a junior lien on property of the estate that is subject to a lien.

(d)(1) The court, after notice and a hearing, may authorize the obtaining of credit or the incurring of debt secured by a senior or equal lien on property of the estate that is subject to a lien only if—

(A) the trustee is unable to obtain such credit otherwise; and

(B) there is adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted.

(2) In any hearing under this subsection, the trustee has the burden of proof on the issue of adequate protection.

Having reviewed the declaration submitted by Anita Chou, the Chief Financial Officer of VHS (the "Chou Decl."), the Court finds that the Debtors were unable to obtain financing on more favorable terms than those proposed by the DIP Lender. The Court further finds that the Debtors require the use of $30 million, on an interim basis, in order to avoid irreparable harm to the continued operation of the Hospitals.

The Court finds that the Secured Creditors whose liens are primed by the DIP Facility are adequately protected. The book value of the Debtors' collateral is approximately $840 million, which provides more than a 20% equity cushion for Secured Creditors. *See In re James River Associates*, 148 B.R. 790, 796 (E.D. Va. 1992) ("The amount of equity cushion sufficient to adequately protect the creditor is determined on a case-by-case basis. *Kost,* 102 B.R. at 831. However, the reported cases do provide some guidance: Case law has almost uniformly held that an equity cushion of 20% or more constitutes adequate protection.... Case law has almost as uniformly held that an equity cushion under 11% is insufficient to constitute adequate protection.... Case law is divided on whether a cushion of 12% to 20% constitutes adequate protection....").

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In addition to adequate protection through the equity cushion, the replacement liens and superpriority claim provide the secured creditors additional adequate protection. The financing provided by the DIP Lender will enable the Debtors to continue to operate and generate additional receivables. Those receivables will be subject to the replacement liens. *See In re Megan-Racine Associates, Inc.*, 202 B.R. 660, 663 (Bankr. S.D.N.Y. 1996) (concluding that "[a]s long as there was a continuous income stream being generated by the Debtor, the fact that the Debtor consumed a portion of those monies to operate and maintain the facility each month did not diminish the value of the [secured creditor's] interest in the [cash collateral]"). There is no evidence before the Court that the Debtors' assets are declining in value. However, the abrupt cessation of operations would almost certainly result in a decline in value.

The Court agrees with U.S. Bank, in its capacity as Trustee for the 2015 Notes and the 2017 Notes, that the Debtors' financial reporting should be broken down on an entity-by-entity basis. Although these cases are being jointly administered, the estates have not been substantively consolidated, and each Debtor has its own assets and liabilities independent of the other Debtors.

The Court approves the following agreed-upon provisions, set forth on the record at the hearing, regarding amendments to the DIP Financing Agreements:

> The Debtors shall give each Pre-Petition Secured Creditor notice concurrent with giving such notice or request to the DIP Agent for any amendment or waiver of the DIP Financing Agreements and, without prejudice to the effectiveness of any such amendment or waiver, each Pre-Petition Secured Creditor shall have the right to file a motion objecting to such amendment. Nothing in this DIP Order shall authorize the DIP Agent or DIP Lenders to increase the commitments in excess of the commitments set forth in this Interim Order, increase the contract interest rate, defined in the DIP Credit Agreement as the Applicable LIBOR Margin, or Default Rate or extend the maturity date, defined in the DIP Credit Agreement as the "Scheduled Termination Date".

C. Cash Collateral

Section 363(c)(2) requires court authorization for the use of cash collateral unless "each entity that has an interest in such cash collateral consents." Absent affirmative express consent, the Debtors "may not use" cash collateral absent the Court's determination that the use is "in accordance with the provisions" of Section 363—that

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is, that the secured creditor's interest in the cash collateral is adequately protected. Section 363(c)(2)(B); Section 363(e).

A secured creditor's interest is adequately protected if the value of its collateral is not declining; the secured creditor is not entitled to payment to compensate for its inability to foreclose upon the collateral during bankruptcy proceedings. *United Savings Association of Texas v. Timbers of Inwood Forest Associates, Ltd.*, 484 U.S. 365 (1988).

For the reasons set forth above, the Court finds that the Secured Creditors are adequately protected.

D. Final Hearing

A Final Hearing on the Financing Motion shall take place on **October 3, 2018, at 10:00 a.m.** Opposition to final approval of the DIP Facility is due by no later than **September 19, 2018**. The Debtors' Reply in support of the Financing Motion is due by **September 26, 2018**.

Party Information

Debtor(s):

Verity Health System of California, Represented By
Samuel R Maizel
John A Moe
Tania M Moyron

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession.	Lead Case No. 18-bk-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-20181-ER Hon. Ernest M. Robles
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose ASC, LLC Debtors and Debtors In Possession.	**NOTICE OF FINAL HEARING ON DEBTORS' EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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 110** **Final Hearing:** Date: October 3, 2018 Time: 10:00 a.m. (PST) Place: United States Bankruptcy Court 255 East Temple Street Suite 90012 Los Angeles, California 90012

DENTONS US LLP
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LOS ANGELES, CALIFORNIA 90017-5704
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PLEASE TAKE NOTICE that on September 6, 2018, the Court entered an *Interim 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*, attached hereto as Exhibit 1[Docket No. 86] (the "Interim Order"), copies of which were served September 6, 2018, electronically and by first class mail on the required Notice Lists. *See* Declaration of Kurzman Karson Consultants LLC. [Docket No.186].

PLEASE TAKE NOTICE that at the above referenced date, time and location (the "Hearing"), the Court will hold a final hearing on whether findings, terms and conditions described in the Interim Order may be entered by the Court as the final order (the "Final Order") in connection with the *Emergency Motion Of Debtors For Interim And Final Orders (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 110* [Docket No. 31] (the "Motion") filed by Verity Health System Of California, Inc. ("VHS") and the above-referenced affiliated debtors, the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the "Debtors"), in the above-referenced jointly administered Chapter 11 bankruptcy cases. At the Hearing, the Court will consider the entry of the Final Order and final approval of the DIP Financing Agreements (as defined in the Interim Order) and provisions for Adequate Protection for Prepetition Secured Creditors, maintenance of Cash Collection Accounts, Carve Out, and Limitations on the Use of Proceeds (each as defined in the Interim Order), and waiving certain rights of the Debtors under 11 U.S.C. §§ 506(c) and 552(b).

PLEASE TAKE FURTHER NOTICE that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no later than September 19, 2018, at 4:00 p.m. (Pacific Standard Time), which objections shall be served so that the same are received on or before such date by: (a) bankruptcy counsel for the Debtors, Dentons US LLP, 602 South Figueroa, Suite 2500, Los Angeles, California 90017 - 570,

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Attn: Samuel Maizel; (b) counsel for the DIP Lender, Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, TN 37219, Attn: David E. Lemke, Esq.; (c) counsel to the Committee, if any; (d) the Office of the United States Trustee for the Central District of California, 915 Wilshire Blvd., Suite 1850, Los Angeles, CA 90017, Attn: Jill Sturtevant; (e) counsel for U.S. Bank as 2015 Notes Trustee, McDermott, Will & Emory, 227 W. Monroe Street, Chicago, IL 60606-5096; (f) counsel for UMB Bank as successor Master Trustee, Mintz, Levin, Cohen, Ferris, Glovsky and Popeo PC, 1 Financial Center, Boston, MA 02111, Attn: Dan Bleck; (g) counsel for Verity MOB, Jones Day, 555 South Flower Street Fiftieth Floor, Los Angeles, California 90071; and (h) counsel for U.S. Bank as 2017 Notes Trustee, Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attn: Clark Whitmore.

PLEASE TAKE FURTHER NOTICE that any reply filed by the Debtors or any party supporting entry of the Final Order shall be filed with the Clerk of the United States Bankruptcy Court for the Central District of California, in each case to allow actual receipt of the foregoing no later than September 26, 2018, at 4:00 p.m. (Pacific Standard Time).

Dated: September 17, 2018

DENTONS US LLP
SAMUEL R. MAIZEL
JOHN A. MOE, II
TANIA M. MOYRON

By */s/ Tania M. Moyron*
Tania M. Moyron

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EXHIBIT 1

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FILED & ENTERED

SEP 06 2018

CLERK U.S. BANKRUPTCY COURT
Central District of California
BY gonzalez DEPUTY CLERK

CHANGES MADE BY COURT

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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-20181-ER Chapter 11 Cases Hon. Judge Ernest M. Robles
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**INTERIM 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**[1]

[1] The Court has made no material changes to the form of this Interim Order; the only changes made are to correct minor typographical errors.

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Upon the emergency motion (the "***DIP Motion***")[2], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") authorizing the Debtors to, among other things: *inter alia*:

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

(ii) Enter into a Debtor-in-Possession Credit Agreement (the "***DIP Credit Agreement***"), a copy of which is attached to the Chou Decl. [Docket No. 32] as **Exhibit 3 Parts I and II**, and other related financing documents (together with the DIP Credit Agreement and DIP Security Agreement, the "***DIP Financing Agreements***"), by and among each of the Debtors and Ally Bank ("***Ally***"), in its capacity as agent ("***DIP Agent***") and in its capacity as lender ("***DIP Lender***,") under the DIP Credit Agreement;

[2] Capitalized terms used herein and not otherwise defined shall have the meaning ascribed in the DIP Motion.

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(iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements, postpetition financing of up to $30,000,000 on a revolving basis (the "***Interim DIP Loan***") and seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this Interim Order;

(iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition financing of up to an additional $155,000,000, for a total of up to $185,000,000, on a revolving basis, which includes the Interim DIP Loan (the "***Final DIP Loan***," and together with the Interim DIP Loan, the "***DIP Loan***") and seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and the Final Order (as defined below);

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

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

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

(viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in accordance with the proposed initial agreed budget covering the initial 13 week period (the "***Initial Agreed Budget***") a copy of which is attached to the Chou Decl. [Docket No. 32] as **Exhibit 2**, and as otherwise provided in the DIP Financing Agreements, this Interim Order and the Final Order;

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(ix) Provide adequate protection to certain of the Prepetition Secured Creditors (defined herein) pursuant to the terms of this Interim Order and the Final Order for any diminution in value of their respective interests in the Prepetition Collateral (as defined herein) resulting from the DIP Liens (as defined herein) on the Prepetition Collateral, subordination to the Carve Out (as defined herein), Debtors' use of Cash Collateral, and other decline in value arising out of the automatic stay or the Debtors' use, sale, depreciation, or disposition of the Prepetition Collateral;

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

(xi) Schedule a final hearing (the "***Final Hearing***") to consider entry of an order (the "***Final Order***") granting the relief requested in the DIP Motion on a final basis and approving the form of notice with respect to the Final Hearing; and

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

The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief Financial Officer filed in support of the DIP Motion and Rich Adcock, CEO filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Motion, the proposed DIP Credit Agreement, and any the exhibits attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the hearing on this Interim Order (the "***Interim Hearing***"); and due and proper notice of the DIP Motion and Interim Hearing having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under the circumstances; and the Interim Hearing having been held and concluded; and it appearing that approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors pending the Final Hearing and is otherwise fair and reasonable and in the best interests of the Debtors, their estates and their creditors, and is essential for the preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this

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Interim Order having been withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM HEARING, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[3]

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

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

C. **Committee Formation** As of the date hereof, the Office of the United States Trustee (the "***U.S. Trustee***") has not appointed any official committee of unsecured creditors in these Cases pursuant to section 1102 of the Bankruptcy Code (the "***Committee***").

D. **Notice**. Notice of the Interim Hearing and notice of the DIP Motion has been provided by the Debtors to: (i) the Office of the United States Trustee for the Central District of California (the "***U.S. Trustee***"); (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis;

[3] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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(vi) counsel to each of the Prepetition Secured Creditors (as defined below); (vii) counsel to the DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for the State of California, Charities Division; and (ix) all other parties known to assert a lien on any of the Debtors' assets. Under the circumstances, such notice of the Interim Hearing and the DIP Motion constitute due, sufficient and appropriate notice and complies with sections 102(1) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b), and the Local Rules, and no other or further notice is required under the circumstances.

E. **Findings Regarding Corporate Authority**. As set forth in the resolutions accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate power and authority to execute and deliver the DIP Financing Agreements to which it is a party and to perform its obligations thereunder.

F. **Intercreditor Agreement**. Pursuant to section 510 of the Bankruptcy Code, but subject to the terms of this Interim Order and the Intercreditor Acknowledgment (as defined herein), the Second Amended and Restated Intercreditor Agreement dated December 1, 2017 (the "***Intercreditor Agreement***") and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors (including the relative priorities, rights and remedies of such parties with respect to the Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable, by the Debtors under this Interim Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of this Interim Order or the DIP Financing Agreements, unless expressly set forth herein or therein.

G. **Prepetition Secured Credit Facilities**. As of the Petition Date, the Debtors were indebted and liable to: UMB Bank, N.A., ("***UMB Bank***") as successor Master Trustee under the Master Trust under master indenture obligations for the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "***2005 Bonds***") and California Public Finance Authority Revenue Notes (Verity Health

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System) Series 2015 A, B, C, and D and the Series 2017 A and B (collectively, the "***Working Capital Notes***" and together with the 2005 Bonds, the "***MTI Obligations***"), Wells Fargo Bank National Association ("***Wells Fargo***") serves as indenture trustee for the Series 2005 Bonds. U.S. Bank National Association ("***U.S. Bank***" and together with Wells Fargo and UMB Bank, the "***Prepetition Agents***") serves as the Collateral Agent and the 2015 Note Trustee and 2017 Note Trustee for the Working Capital Notes. As of the Petition Date, the Debtors were indebted and liable to Verity MOB Financing, LLC and Verity MOB Financing II, LLC (together, "***Verity MOB***" and collectively with the Prepetition Agents and holders of the 2005 Bonds and the Working Capital Notes, the "***Prepetition Secured Creditors***") as holders of security interests in Verity Holdings prepetition accounts, including rents arising from the prepetition MOB Financing (the "***MOB Financing***", and together with the 2005 Bonds and Working Capital Notes, the "***Prepetition Secured Documents***") holding approximately $568,000,000 of debt as set forth on **Exhibit 1** to the Chou Decl. (the "***Prepetition Secured Obligations***") secured by liens on virtually all of the Debtors' assets (the "***Prepetition Liens***").

H. **Prepetition Collateral**. In order to secure the Prepetition Secured Obligations, the Debtors granted the Prepetition Liens to the Prepetition Secured Creditors on substantially all of their assets (the "***Prepetition Collateral***").

I. **Findings Regarding the Postpetition Financing**.

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

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(ii) **Good Cause; Need for Postpetition Financing**. Good cause has been shown for the entry of this Interim Order. An immediate need exists for the Debtors to obtain funds from the Interim DIP Loan in order to continue operations, continue to serve the Debtors mission to provide acute and specialized care for area patients and to administer and preserve the value of their estates. The ability of the Debtors to finance their operations, to preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors requires the availability of working capital from the Interim DIP Loan, the absence of which would immediately and irreparably harm the Debtors, their estates and their creditors and the possibility for a successful reorganization or sale of the Debtors' assets as a going concern or otherwise. The proposed Interim DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

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

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

K. **Application of Sale Proceeds of DIP Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property, including, without limitation, the Facilities and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The Sale Proceeds shall be held in escrow in one or more deposit

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accounts subject to a deposit account control agreement in favor of the DIP Lender (the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled with any other funds of the Debtors or otherwise. The DIP Lender is granted a first priority lien on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Interim Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors subject to any Prepetition Liens and Prepetition Replacement Liens; provided, however, that upon any Debtor's request and with the consent of the DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors on terms and conditions that are acceptable to the DIP Lender in its sole discretion and upon further order of this Court.

L. **Adequate Protection for Prepetition Secured Creditors.** The priming of the Prepetition Secured Creditors' Prepetition Liens to the extent set forth below pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens set forth below, the Prepetition Secured Creditors shall be entitled to receive adequate protection, as set forth in this Interim Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests in the Prepetition Collateral resulting from, among other things, the subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of such Prepetition Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively, and solely to the extent of such diminution in value, the "***Diminution in Value***"). The Prepetition Secured Creditors have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral to help fund the administration of the Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the

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record presented to the Court at the Interim Hearing, the terms of the proposed adequate protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Creditors; provided, however, that nothing herein shall limit the rights of any of the Prepetition Secured Creditors to hereafter seek new, additional, or different adequate protection.

M. **Extension of Financing**. The DIP Lender has indicated a willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement. The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit Agreement and the other DIP Financing Agreements. The DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Interim Order and the DIP Financing Agreements will not be affected by any subsequent reversal or modification of this Interim Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

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

(i) The DIP Lender has indicated a willingness to provide DIP Financing to the Debtors in accordance with the DIP Financing Agreements. The terms and conditions of the DIP Facility and the DIP Financing Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

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

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

(iv) The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Financing Agreements, and the DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this

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Interim Order and the DIP Financing Agreements will not be affected or avoided by any subsequent reversal or modification of this Interim Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

O. **Relief Essential; Best Interest; Good Cause**. The relief requested in the DIP Motion (and as provided in this Interim Order) is necessary, essential, and appropriate for the preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors' estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement. Good cause has been shown for the relief requested in the DIP Motion (and as provided in this Interim Order) solely on an interim basis.

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

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

2. **DIP Financing Agreements.**

(a) **Approval of Entry Into DIP Financing Agreements**. The Debtors are authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Interim Order and the DIP Financing Agreements, and to execute and deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Financing Agreements and the creation and perfection of the DIP Liens described in and provided for by this Interim Order and the DIP Financing Agreements. The Debtors are hereby authorized and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and

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other amounts described in the DIP Credit Agreement as such amounts become due and payable without need to obtain further Court approval, including closing fees, unused line fees, administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, and whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in this Interim Order or the DIP Financing Agreements. All collections and proceeds, whether from ordinary course collections, asset sales, debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Interim Order and the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, including, without limitation, commitment fees and reasonable attorneys' fees and disbursements as provided for in the DIP Credit Agreement, which amounts shall not otherwise be subject to approval of this Court, *provided however,* that notwithstanding section 2.9(a) of the DIP Credit Agreement, following entry of this Interim Order, the Debtors shall pay only $1,600,000 on account of the commitment fee. The Debtors shall pay the deferred balance of the commitment fee required by section 2.9(a) of the DIP Credit Agreement only upon entry of a Final Order approving the DIP Credit Agreement.

(b) **Authorization to Borrow/and or Guarantee**. To enable them to continue to preserve the value of their estates and dispose of their assets in an orderly fashion, during the period prior to entry of the Final Order (the "***Interim Period***") and subject to the terms and conditions of this Interim Order, upon the execution of the DIP Credit Agreement and the other Financing Documents the Debtors are hereby authorized to borrow the Interim DIP Loan up to a total committed amount of $30,000,000 under the DIP Financing Agreements.

(c) **Conditions Precedent.** The DIP Lender shall have no obligation to make the Interim DIP Loan or any loan or advance under the DIP Credit Agreement during the Interim

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Period unless the conditions precedent to making such loan under the DIP Credit Agreement have been satisfied in full or waived by the DIP Lender in its sole discretion.

(d) **DIP Collateral; DIP Liens**. Effective immediately upon the entry of this Interim Order, on account of the Interim DIP Loan, the DIP Lender shall be and is hereby granted first-priority security interests and liens (which shall immediately be valid, binding, permanent, continuing, enforceable, perfected and non-avoidable) on all of the Debtors' property, including, without limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or after the Petition Date (collectively, the "***DIP Collateral***," and all such liens and security interests granted on or in the DIP Collateral pursuant to this Interim Order and the DIP Financing Agreements, the "***DIP Liens***"), but excluding the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA, donor restricted funds held at Philanthropic Foundations, Avoidance Actions (defined below) and any proceeds thereof and any funds held by the Prepetition Agents (including amounts set forth on **Exhibit 1** to the Chou Decl.). The DIP Collateral shall not be subject to any surcharge under section 506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this Court.

(e) **DIP Lien Priority**. Subject only to the Carve Out (as defined below), the DIP Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing, enforceable, non-avoidable first priority senior priming liens and security interests on the DIP Collateral, and shall prime all other liens and security interests on the DIP Collateral, including any liens and security interests in existence on the Petition Date against the Prepetition Collateral, and any other current or future liens granted on the DIP Collateral, including any adequate protection or replacement liens granted on the DIP Collateral (collectively, the "***Primed Liens***") (other than the Debtors' claims and causes of action under sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar actions under the Bankruptcy Code or similar state law (the "***Avoidance Actions***"), whether received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens shall not be made subject to, subordinate to, or *pari passu* with any lien or security interest by any court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid and enforceable against

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any trustee appointed in the Chapter 11 Cases, upon the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (any "***Successor Cases***"), and/or upon the dismissal of any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

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

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

(h) **Additional Protections of DIP Lender: Superpriority Administrative Claim Status**. Subject to the Carve Out (as defined below), all DIP Obligations shall constitute an allowed superpriority administrative expense claim (the "***DIP Superpriority Claim***" and, together with the DIP Liens, the "***DIP Protections***") with priority in all of the Chapter 11 Cases and Successor Cases over all other administrative expense claims under sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any other provision of the Bankruptcy Code except as otherwise set forth herein, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment. The DIP Superpriority Claim shall be payable from and have recourse to all prepetition and post-petition property of the

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Debtors and all proceeds thereof. Without limiting the foregoing, the Superpriority Claim shall not be made subject to, subordinate to, or *pari passu* with any other administrative claim in the Chapter 11 Cases or Successor Cases, except for the Carve Out (as defined below). Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Interim Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Interim Order and terminating upon the occurrence of an Event of Default (as defined below) and the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

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

(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, 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, excluding the prepetition collateral held by WTNA with respect to the Clean Fund Bonds and the NR2 Petros Bonds, donor restricted funds held at Philanthropic Foundations and Avoidance Actions and any proceeds thereof (the "***Prepetition Replacement Liens***"), which shall be junior only to (1) the Carve Out, (2) to the DIP Liens securing the DIP Obligations, and (3)

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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 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. 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.

(b) **Adequate Protection Payments and Protections**. So long as there is no Default or Event of Default under this Interim Order, the Final Order, or the DIP Financing Agreements, the Debtors are also authorized and directed to provide to the Prepetition Secured Creditors monthly adequate protection payments equal to the amount of postpetition, non-default contractual interest on the outstanding balances of the Prepetition Secured Obligations excluding the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA, provided that reference

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to the non-default contractual rate of interest shall not include any Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents, plus monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee, respectively, and reimbursement of reasonable attorney's fees for one set of attorneys for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB Financing (the "***Prepetition Adequate Protection Payments***"). Notwithstanding the foregoing, to the extent the Court enters a final and non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code, that the Prepetition Adequate Protection Payments are not properly allocable to interest on one or more of the respective Prepetition Secured Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-characterized as payment(s) applied to the principal amount of the respective Prepetition Secured Obligations.

(c) **Prepetition Superpriority Claim**. To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below, an allowed superpriority administrative expense claim (the "***Prepetition Superpriority Claims***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising of any kind or nature whatsoever including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d), 552,

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726, 1113 and 1114 of the Bankruptcy Code, and upon entry of the Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition Superpriority Claim 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 have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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 Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

(d) **Validity, Perfection and Amount of Prepetition Liens**. The Debtors further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the Prepetition Secured Obligations on the Prepetition Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition Secured Creditors and (b) the Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral. The findings and stipulations set forth in this Interim Order with respect to the validity, enforceability and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and

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all of their successors in interest and assigns, including the Committee, unless, and solely to the extent that, a party in interest with requisite standing and authority (other than the Debtors, as to which any Challenge (as defined below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens (each such proceeding or appropriate pleading commencing a proceeding or other contested matter, a "***Challenge***") within ninety (90) days from the formation of the Committee (the "***Challenge Deadline***"); *provided however* that the filing by the Committee of a motion for standing to prosecute a Challenge shall automatically toll the Challenge Deadline; and *provided further*, that the "Challenge Deadline" for matters solely relating to the value of the Prepetition Collateral may be further extended to such time as may be agreed by the parties or further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be amended upon further order of this Court and the consent of both the Prepetition Secured Creditors and the DIP Lender. The Debtors shall not use the Prepetition Collateral or its proceeds to investigate or prosecute claims against the Prepetition Secured Creditors, including Avoidance Actions, *provided however* that the Committee may investigate the existence of such claims and have allowed fees paid from the Prepetition Collateral and the proceeds of the DIP Facility up to the amount of $50,000, *provided further however* that no Prepetition Collateral, the proceeds thereof or the proceeds of the DIP Facility may be used to prosecute claims against Prepetition Secured Creditors. For the avoidance of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition Secured Creditors from any Challenge raised by third parties, including the Committee, to the validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition Liens.

(e) **Sections 506(c) and 552(b)**. In light of the Prepetition Secured Creditors' agreement that their Prepetition Liens shall be subject to the Carve Out and subordinate to the DIP Liens, the Prepetition Secured Creditors are each entitled to a waiver of any "equities of the

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case" exception under section 552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the Bankruptcy Code.

(f) Nothing contained in this Interim Order shall prevent the Prepetition Secured Creditors from application or use of the funds held by the Prepetition Agents in accordance with the Prepetition Secured Documents.

5. **Budget Maintenance**. The proceeds of the DIP Loan under the DIP Facility and the use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the DIP Financing Agreements and the DIP Budget. The Initial Agreed Budget delivered to the DIP Agent shall be accompanied by such supporting documentation as reasonably requested by the DIP Agent. The DIP Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the U.S. Trustee and counsel for the Prepetition Secured Creditors after it has been approved in accordance with the DIP Financing Agreements. Except to the extent required by the DIP Agent to accommodate the Prepetition Adequate Protection Payments, for the duration of this Interim Order, the DIP Budget may not be amended without the prior consent of the Prepetition Secured Creditors.

6. **Budget Compliance and Reporting**. The Debtors shall comply with the DIP Budget as and when required under the DIP Credit Agreement (subject to the variances set forth therein). The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the Committee, should a Committee be appointed, such information to include reasonably complete details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock Declaration and such information to be timely provided, sufficient for the Prepetition Secured Creditors to file an objection with this Court on two business days notice. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of

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any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and binding confidentiality agreements, prior to any hearing to consider entry of a Final Order related to this DIP Motion, the Debtors shall provide to the Prepetition Secured Creditors information concerning (i) the Debtors' efforts to obtain debtor in possession financing proposals, including any proposals the Debtors received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted, copies of any proposals or expressions of interest, and other information concerning these matters the Prepetition Secured Creditors may reasonably request.

7. **Postpetition Lien Perfection.** This Interim Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens and Prepetition Replacement Liens without the necessity of filing or recording any financing statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be required under the law of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement or obtaining possession of any possessory collateral) to validate or perfect the DIP Liens or Prepetition Replacement Liens, or to entitle the DIP Liens and Prepetition Replacement Liens the respective priorities granted herein. Notwithstanding and without limiting the foregoing, the DIP Lender may file such financing statements, mortgages, deeds of trust, notices of liens and other similar documents as it deems appropriate, and it is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, deeds of trust, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of the Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the DIP Lender all such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents as the DIP Lender may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such financing

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statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents shall be considered DIP Financing Agreements for all intents and purposes. The DIP Lender, in its discretion, may file a certified copy of this Interim Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the recording officer shall be authorized to file or record such copy of this Interim Order. To the extent that the Prepetition Agents or Verity MOB is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements, bailee letters, custom broker agreements, financing statement, account control agreements, or any other Prepetition Secured Documents or is listed as loss payee or additional insured under any of the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under such documents or to be the loss payee or additional insured, as applicable.

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

9. **Proceeds of Subsequent Financing**. If the Debtors, any trustee, any examiner with expanded powers, or any responsible officer subsequently appointed in these Chapter 11 Cases or any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections 364(b), 364(c), or 364(d) or in violation of the DIP Financing Agreements at any time prior to the indefeasible repayment in full of all DIP Obligations and Prepetition Secured Obligations (to the extent such remain outstanding), and the termination of the DIP Agent's and the DIP Lenders' obligation to extend credit under the DIP Facility, including subsequent to the confirmation of any chapter 11 plan of reorganization with respect to any or all of the Debtors and the Debtors'

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estates, and such facility is secured by any DIP Collateral, then all the cash proceeds derived from such credit or debt shall immediately be turned over to the DIP Agent to be applied in accordance with this Interim Order and the DIP Financing Agreements.

10. **Cash Collection**.

(a) From and after the date of the entry of this Interim Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in accounts as specified in the DIP Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to time) (collectively, the "***Cash Collection Accounts***"), which accounts shall be subject to the sole dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP Agent that, unless a "Default" or an "Event of Default" under the DIP Credit Agreement has occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall be authorized to use such Cash Collateral in accordance with this Interim Order. All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the DIP Agent and the Prepetition Agents and Verity MOB or as set forth in this Interim Order, the Debtors shall maintain no accounts except those identified in the interim cash management order entered by the Court with respect thereto (the "***Cash Management Order***"), whether now existing or hereafter established. The Debtors and the financial institutions where the Debtors' Cash Collection Accounts are maintained (including those accounts identified in the Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent.

(b) Notwithstanding anything in this Interim Order or any of the DIP Financing Agreements, from and after the date of the entry of this Interim Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become

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entitled at any time, shall promptly be deposited into a depository account furnished by a depository bank acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject to the sole dominion and control of the DIP Agent (such account, the "***DIP Collateral Account***"). The Debtors' use of the proceeds in the DIP Collateral Account shall be subject to this Interim Order and the DIP Financing Agreements.

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

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

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

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

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

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15. **Carve Out**. The DIP Liens, DIP Superpriority Claim, and Replacement Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the Bankruptcy Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the "***U.S. Trustee Fees***"), together with interest, if any, at the statutory rate; and (ii) all allowed claims for unpaid fees, costs and expenses incurred by persons or firms retained ~~retrain~~ by the Debtors or the Committee, if any, whose retention is approved by the Bankruptcy Court pursuant to any one or more of sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs and expenses are both (a) allowed by the Bankruptcy Court pursuant to the Final Order, and (b) in accordance with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable time frame (the "***Carve Out Expenses***"); provided that the aggregate amount of such Carve Out Expenses shall not exceed (a) $2,000,000 with respect to persons or firms retained by the Debtors, and (b) $75,000 with respect to persons or firms retained by the Committee (collectively, the "***Carve Out Amount***"). Any payment or reimbursement made after the Carve Out Trigger Date in respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a dollar-for-dollar basis.

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

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extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the adequate protection granted herein, *provided however*, that nothing in this Interim Order shall limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors as adequate protection payments

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

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

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

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

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

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

20. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 5, 2019 (the "***Scheduled Termination Date***"); (ii) the earlier of: (a) the date that is thirty (30) days from entry of this Interim Order unless a final, non-appealable order of the Bankruptcy Court authorizing the DIP Facility in form and substance satisfactory to the DIP Lender in its sole and absolute discretion has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Lender may approve in writing in its sole and absolute discretion), (b) the date the Court denies entry of the Final Order, or (c) the date of revocation of this Interim Order or the Final Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Bankruptcy Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Bankruptcy Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***"). The occurrence of the Commitment Termination Date, shall also constitute, subject to further Court order, termination of the Prepetition Secured Creditors' consent to the Debtors' use of their prepetition cash collateral.

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

22. **Events of Default.** The occurrence of a "Default" or an "Event of Default" pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the "Bankruptcy Defaults" enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of default under this Interim Order, unless expressly waived in writing in accordance with the consents required in the DIP Financing Agreements.

23. **Rights and Remedies Upon Event of Default.**

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

(b) Notwithstanding the preceding paragraph, immediately following the giving of notice by the DIP Lender of the occurrence and continuance of an Event of Default, the DIP Lender shall have the right in its sole discretion to take any or all of the following actions: (i) declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare the unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other DIP Financing Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by any Debtor; (iii) reduce the advance rates in

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respect of Eligible Accounts (as defined in the DIP Credit Agreement) or take additional reserves against or otherwise modify the Borrowing Base; and (iv) exercise all rights and remedies available to the DIP Agent and the DIP Lenders under the DIP Financing Documents, including any right of set-off under Section 11.21 of the DIP Credit Agreement, or under the UCC or any other applicable law; *provided, however*, that upon the occurrence of an Event of Default under the DIP Credit Agreement, the obligation of the DIP Lenders to make the DIP Loan shall automatically terminate, the unpaid principal amount of all outstanding DIP Loans and other DIP Obligations and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the DIP Agent or any DIP Lender.

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

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

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

26. **Proofs of Claim**. The DIP Lender will not be required to file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Creditors.

27. **Other Rights and Obligations**.

(a) **Good Faith Under Section 364(e) of the Bankruptcy Code. No Modification or Stay of this Interim Order.** The Debtor, the DIP Lender and the Prepetition Secured Creditors have acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and authorizing use of Cash Collateral and rely on this Interim Order ~~is~~ in good faith. Based on the findings set forth in this Interim Order and the record made during the Interim Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Interim Order are hereafter reversed, modified, amended or vacated by a subsequent order of this or any other Court, the DIP Lender and Prepetition Secured Creditors are entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or vacatur shall not affect the validity and enforceability of any advances made pursuant to this Interim Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens or the Prepetition Replacement Liens. Any claims or DIP Protections granted to the DIP Lender hereunder, or adequate protection ~~grant~~ granted to the Prepetition Secured Creditors hereunder, arising prior to the effective date of such reversal, modification, amendment or vacatur, shall be governed in all respects by the original provisions of this Interim Order, and the DIP Lender and Prepetition Secured Creditors shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections and adequate protection granted herein, with respect

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to any such claims. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Interim Order, the obligations owed to the DIP Lender or the Prepetition Secured Creditors prior to the effective date of any reversal or modification of this Interim Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Lender or Prepetition Secured Creditors under this Interim Order and/or the DIP Financing Agreements.

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

(c) **No Waiver**. The failure of the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this Interim Order or otherwise, as applicable, shall not constitute a waiver of the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Lender may have pursuant to this Interim Order, the DIP Financing Agreements, or applicable law. Nothing in this Interim Order shall interfere with the rights of any party with respect to any non-Debtors.

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

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

(f) **Amendment.** The Debtors and the DIP Lender may amend or waive any provision of the DIP Financing Agreements, on notice to the Office of the U.S. Trustee, the Committee (if appointed), and the Prepetition Secured Creditors. The Debtors shall give each Pre-Petition Secured Creditor notice concurrent with giving such notice or request to the DIP Agent for any amendment or waiver of the DIP Financing Agreements and, without prejudice to the effectiveness of any such amendment or waiver, each Pre-Petition Secured Creditor shall have the right to file a motion objecting to such amendment. Nothing in this DIP Order shall authorize the DIP Agent or DIP Lenders to increase the commitments in excess of the commitments set forth in this Interim Order, increase the contract interest rate, defined in the DIP Credit Agreement as the Applicable LIBOR Margin, or Default Rate or extend the maturity date, defined in the DIP Credit Agreement as the "Scheduled Termination Date". Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all the Debtors and the DIP Lender, and, if material, approved by the Bankruptcy Court. Nothing herein shall preclude the Debtors and the DIP Lender from implementing any amendment or waiver of any provision of the DIP Financing Agreements.

28. **Survival of Interim Order and Other Matters.** The provisions of this Interim Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and

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

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

(b) **Enforceability**. This Interim Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Interim Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Interim Order. The rights of all parties in interest to object to the terms of the Final Order, the DIP Credit Agreement and any other DIP Financing Agreements at the Final Hearing are expressly reserved.

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled on an interim basis.

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(d) **No Waivers or Modification of Interim Order**. The Debtors irrevocably waive any right to seek any modification or extension of this Interim Order without the prior written consent of the DIP Lender and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Lender. 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 Lender with respect to any other non-Debtor or any of their assets.

29. **Final Hearing.**

(a) The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for October 3, 2018 at 10:00 a.m. Pacific time at the United States Bankruptcy Court for the Central District of California. If no objections to the relief sought in the Final Hearing are filed and served in accordance with this Interim Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtors and entered by this Court.

(b) On or before September 12, 2018, the Debtors shall serve, by United States mail, first-class postage prepaid, notice of the entry of this Interim Order and of the Final Hearing (the "***Final Hearing Notice***"), together with copies of this Interim Order, the proposed Final Order and the DIP Motion, on: (i) the Office of the U.S. Trustee; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Office of the Attorney General for the State of California, Charities Division, Attn: Alicia Berry (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis; (vi) counsel to the DIP Lender; (vii) counsel to each of the Prepetition Secured Creditors; (viii) counsel of record representing patients of Debtors with litigation pending against the Debtors as of the Petition Date; (ix) all other known parties asserting a lien on the Debtors' assets; (x) the parties having been given notice of the Interim Hearing; and (xi) any party which has filed prior to such date a request for notices with this Court. The Final Hearing Notice shall state that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no later than September 19, 2018 at 4:00 p.m. Pacific time, which objections shall be served so that the

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same are received on or before such date by: (a) bankruptcy counsel for the Debtors, Dentons US LLP, 602 South Figueroa, Suite 2500, Los Angeles, California 90017 - 570, Attn: Samuel Maizel; (b) counsel for the DIP Lender, Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, TN 37219, Attn: David E. Lemke, Esq.; (c) counsel to the Committee, if any; (d) the Office of the United States Trustee for the Central District of California, 915 Wilshire Blvd., Suite 1850, Los Angeles, CA 90017, Attn: Jill Sturtevant, (e) counsel for U.S. Bank as 2015 Notes Trustee, McDermott, Will & Emory, 227 W. Monroe Street, Chicago, IL 60606-5096, (f) counsel for UMB Bank as successor Master Trustee, Mintz, Levin, Cohen, Ferris, Glovsky and Popeo PC, 1 Financial Center, Boston, MA 02111, Attn: Dan Bleck, (g) counsel for Verity MOB, Jones Day, 555 South Flower Street Fiftieth Floor, Los Angeles, California 90071 and (h) counsel for U.S. Bank as 2017 Notes Trustee, Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attn: Clark Whitmore, and any reply filed by the Debtors or any party supporting entry of the Final Order shall be filed with the Clerk of the United States Bankruptcy Court for the Central District of California, in each case to allow actual receipt of the foregoing no later than September 26, 2018, at 4:00 p.m. Pacific time. Notwithstanding the terms of this Interim Order, this Court is not precluded from entering a Final Order containing provisions that are inconsistent with, or contrary to any of the terms in this Interim Order, subject to the protections under Section 364(e) and the rights of the DIP Lender to terminate the DIP Credit Agreement if such Final Order is not acceptable to them. In the event this Court modifies any of the provisions of this Interim Order or the DIP Financing Agreements following such further hearing, such modifications shall not affect the rights and priorities of DIP Lender pursuant to this Interim Order with respect to the DIP Collateral, and any portion of the DIP Obligations which arises or is incurred, advanced or paid prior to such modifications (or otherwise arising prior to such modifications), and this Interim Order shall remain in full force and effect except as specifically amended or modified at such Final Hearing.

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Date: September 6, 2018

Ernest M. Robles
United States Bankruptcy Judge

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Attorneys for Creditors SEIU United Healthcare Workers-West

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

In Re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., et al., Debtor and Debtors in Possession.	Case No. 2:18-bk-20151-ER CHAPTER 11 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-20181-ER
☐ Affects All Debtors ■ Affects Verity Health System of California, Inc. ■ Affects O'Connor Hospital ■ Affects Saint Louise Regional Hospital ■ Affects St. Francis Medical Center ■ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures — San Jose ASC, LLC Debtors and Debtors In Possession.	**SEIU-UHW'S OBJECTION TO EMERGENCY MOTION FOR ORDER: (I) AUTHORIZING THE DEBTORS to (A) PAY PREPETITION EMPLOYEE WAGES AND SALARIES, AND (B) PAY AND HONOR EMPLOYEE BENEFITS AND OTHER WORKFORCE OBLIGATIONS [DOC. 22]** **and** ///

OBJECTION TO EMERGENCY MOTION FOR ORDERS (A) AUTHORIZING DEBTORS TO OBTAIN POST PETITION FINANCING (B) AUTHORIZING DEBTORS TO USE CASH COLLATERAL [Doc. 31]

Date: October 3, 2018
Time: 10:00 a.m. (PST)
Location: United States Bankruptcy Court
255 East Temple St, Ste 90012
Los Angeles, CA 90012

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I. INTRODUCTION

Service Employees International Union, United Healthcare Workers-West ("SEIU-UHW") hereby objects to the Emergency Motion of Debtors for Entry of Order: (I) Authorizing the Debtors to (A) Pay Prepetition Employee Wages and Salaries, and (B) Pay and Honor Employee Benefits and Other Workforce Obligations; and (II) Authorizing and Directing the Applicable Bank to Pay All Checks and Electronic Payment Requests Made by the Debtors Relating to the Foregoing ("First Day Wage Oder"). (Doc. 22.)

The motion should be denied to the extent it unilaterally changes the material terms and conditions of the collective bargaining agreement between SEIU-UHW and certain Debtors without bargaining over those terms with SEIU-UHW and without a showing that such changes are essential to the continuation of the Debtors' business, in violation of 11 U.S.C. § 1113. Debtors have asserted that the decision to stop paying SEIU-UHW's members' pension contributions is justified because their benefits are "frozen," but minimum funding contributions to the frozen plans are nonetheless required by the current collective bargaining agreement to ensure that the plans are able to satisfy their obligations to participants. Because the Debtors have not rejected or modified the collective bargaining agreement, they are not free to unilaterally alter the pension contribution requirement in the agreement.

SEIU-UHW also objects to the Emergency Motion of Debtors For Interim and Final Orders (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 (Doc. 31) to the extent the minimum funding contributions to the pension plans are not reflected in the Initial Agreed Budget.[1] These amounts should be incorporated into the budget and paid in the ordinary course of business.

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[1] The Initial Agreed Budget (Doc. 32-2 [Chou Decl., Ex. 2]) includes only a general line for "Operating Expenses" and does not include a detailed breakdown.

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II. FACTUAL BACKGROUND

A. The Debtors have an obligation to make ongoing minimum funding contributions to pension plans under the collective bargaining agreement with SEIU-UHW

SEIU-UHW is a labor organization representing over 140,000 workers in California. Debtors estimate that SEIU-UHW represents approximately 39% of Debtors' employees. (Doc. 20, ¶ 8.) The terms and conditions of employment for SEIU-UHW members employed at hospitals operated by Debtors are governed by a collective bargaining agreement. (Miller Decl., Ex. C.)

SEIU-UHW members and retirees are participants in two defined-benefit pension plans – Verity Health System Retirement Plan A and the Retirement Plan for Hospital Employees. (Miller Decl., ¶ 3, *see also* Miller Decl., Ex. C, Ex. D.) Those plans were frozen at the end of 2012, and after December 31, 2012, no more credited service has be granted to any of the members of SEIU-UHW who participate in those plans. (Miller Decl., ¶¶ 4-5, Ex. A., Ex. B.)

Both Verity Health System Retirement Plan A and the Retirement Plan for Hospital Employees are currently underfunded, and the plans do not have sufficient assets to cover all of the benefits that have accrued. (Gray Decl. ¶¶ 2-3, Ex. A, Ex. B.) Accordingly, Debtors are subject to minimum funding standards under ERISA and the Internal Revenue Code. Where a plan is underfunded, the employer is bound to make certain actuarially determined contributions in order to satisfy statutory funding requirements to meet its pension obligations. 29 U.S.C. § 1082; 26 U.S.C. § 412; *see Pension Benefit Guar. Corp. v. Sunarhauserman, Inc.*, 126 F.3d 811, 815 (6th Cir. 1997) ("[t]he minimum funding standard requires every employer maintaining a tax-qualified plan to fund the plan until it is terminated, in amounts determined by the plan's enrolled actuary in accordance with ERISA and the Internal Revenue Code").

Moreover, Debtors are bound by the collective bargaining agreement with SEIU-UHW to continue to make these minimum funding contributions to the pension plans to ensure that the plans remain adequately funded and able to satisfy their obligations to participants. (Miller Decl., ¶¶ 6-7, Ex. C, Ex. D.) Specifically, the collective bargaining agreement provides that, as one of the terms of employment of bargaining unit members, "Verity Health System will take all

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necessary steps to comply with all laws and regulations applicable to the Plan, including … administering and funding such Plan in accordance with ERISA … and … making all contributions necessary to satisfy the funding and PBGC premium requirements of ERISA and the [Internal Revenue] Code." (Miller Decl., Ex. C, p. 61; Ex. D., p. 61.)

The collective bargaining agreement remains in effect, and Debtors have not sought to modify or reject the collective bargaining agreement pursuant to 11 U.S.C. § 1113.

B. The Debtors failed to seek authority to pay these required minimum funding contributions to the pension plans

The Debtors filed their petition for relief under Chapter 11 of the Bankruptcy Code on Friday, August 31, 2018. On the same day, the Debtors filed First Day Motions, including an emergency motion seeking the entry of an order authorizing the Debtors to pay prepetition employee wages and salaries, and pay and honor employee benefits and other workforce obligations. (Doc. 22.)

In that motion, Debtors seek authority to pay both pre-petition and post-petition employee wages and benefits. Debtors generally seek authority "to (a) pay prepetition employee wages and salaries, and (b) pay and honor employee benefits and other workforce obligations (including remitting withholding obligations, maintaining workers' compensation and benefits programs, paying related administration obligations, *making contributions to retirement plans*, and paying reimbursable employee expenses)." (Doc. 22, p. 1:7-11 [emphasis added].)

As far as post-petition payments, Debtors ask "to continue to pay Wages to Employees of the Verity Debtors incurred postpetition in the ordinary course of the Debtors' business" (Doc. 22, p. 13:5-6), "to continue to pay Withholding Obligations incurred postpetition in the ordinary course of the Debtors' business" (Doc. 22, p.14:13-14), "to continue to pay Union Obligations incurred postpetition in the ordinary course of the Debtors' business" (Doc. 22, 14:24-25), "to continue to pay Reimbursement Obligations incurred postpetition in the ordinary course of the Debtors' business" (Doc. 22, p. 15:13-14), "to continue to pay, *in their discretion* and in the ordinary course of their business, the administration fees, premiums for and claims under the Health Plans incurred postpetition" (Doc. 22, p. 19:13-14 [emphasis added]), and to continue to

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honor miscellaneous Employee Benefit Plans "and to continue distributing to third-parties the payments for these programs" (Doc. 22, p. 22:25-26-23:1).

With regard to post-petition retirement plan payments, however, Debtors ask authority only "to continue to pay, in their discretion and in the ordinary course of their business, *matching contributions* for the Retirement Plans incurred postpetition." (Doc. 22, 22:11-12 [emphasis added].) Verity claims to "offer" three defined benefit plans including Verity Health System Retirement Plan A and the Retirement Plan for Hospital Employees. (Doc. 22, 21:2-5).[2] Employer contributions into these defined benefit plans are not *matching contributions*. Matching contributions are a creature of 401(k) type retirement plans. Thus, Debtors seek authority to continue benefits only for certain employees who participate in defined contribution plans, but do not seek authority to continue to pay the employer contributions to defined benefit plans that are required pursuant to various collective bargaining agreements, including that between SEIU-UHW and various Debtors. (Doc. 22, ¶¶ 60-63.) Debtors have claimed that with regard to the RPHE and the Verity Retirement Plan A, this is because the pension benefits for SEIU-UHW members are "frozen."

III. ARGUMENT

A. Debtors' failure to request authorization to pay pension contributions required by the collective bargaining agreement is a violation of 11 U.S.C. § 1113

A debtor in possession cannot modify or terminate a collective bargaining agreement without following the detailed procedure set forth in 11 U.S.C. § 1113. This is the exclusive method of rejecting a collective bargaining agreement. Section 1113 provides that a Chapter 11 debtor may reject a collective bargaining agreement "only in accordance with the provisions of this section." 11 U.S.C. § 1113(a). The whole of the agreement is protected, as are its components: "No provisions of this title shall be construed to permit a trustee to unilaterally

[2] Debtors actually contribute to at least four defined benefit retirement plans. Those employees represented by IUOE Stationary Engineers Local 39 are covered by the IUOE Stationary Engineers Local 39 Pension Trust Fund. At Objector's request, Debtors agreed include making continuing contributions the IUOE Stationary Engineers Local 39 Pension Trust Fund in the proposed Interim Order, which was issued by the Court.

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terminate or alter any provisions of a collective bargaining agreement prior to compliance with the provisions of this section." 11 U.S.C. § 1113(f).

"[T]he language employed by Congress in § 1113 is unequivocal." *Adventure Resources, Inc. v. Holland*, 137 F.3d 786, 796 (4th Cir. 1998). "It plainly imposes a legal duty on the debtor to honor the terms of a collective bargaining agreement … until that agreement is properly rejected." *Id.*

Given the Debtors' legal duty to honor the terms of a collective bargaining agreement until it is modified or rejected under § 1113, the Sixth Circuit has held that all benefit claims under a collective bargaining agreement are entitled to superpriority, and must be immediately paid in full regardless of whether they were incurred before or after the petition date. *In re Unimet Corp.,* 842 F.2d 879, 885 (6th Cir. 1988); *Eagle, Inc. v. Local No. 537 of United Ass'n of Journeymen,* 198 B.R. 637, 639 (D. Mass.1996) (stating that section 1113(f) creates a super-priority for all pre-petition and post-petition payments due under a collective bargaining agreement).

Even courts that have rejected this superpriority status have found that a debtor is obligated to pay its obligations under an ongoing collective bargaining agreement as an administrative expense. For instance, in *Adventure Resources, Inc. v. Holland*, 137 F.3d 786, 797 (4th Cir. 1998), the Fourth Circuit held that § 1113 did not "supersede the general priority scheme set forth in § 507." Consequently, the pension funds' claim in that case could be afforded priority status "only insofar as it fits into one of the categories singled out for preferential treatment in § 507." *Id.* The court ultimately concluded that the pension obligations were entitled to priority as an administrative expense under § 507, *even though the arrears to the pension funds originally arose pre-petition.* The court explained that the collective bargaining agreement was an executory contract, and that, "as a result of the [debtor's] failure to reject it in accordance with § 1113," it assumed the contract "*cum onere*." *Id.* at 798. "Upon assumption of the contract, the expenses and liabilities incurred may be treated as administrative expenses, which are afforded the highest priority on the debtor's estate." *Id.* Thus, once the debtor assumed the collective bargaining agreement by failing to reject it, it undertook a legal obligation to cure its existing

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defaults under that agreement, including arrears to the pension funds. *Id.* "In effect, [the debtor's] postpetition assumption of its executory labor contract … transformed the prepetition claims of the Pension Trusts, once not cured, into new claims arising postpetition." *Id.* The court made it clear that a debtor "may not" "continue to reap the benefits of its bargain without concern that the non-debtor party will be made whole for the debtor's unfulfilled prepetition obligations." *Id.* at 790. Thus, when the debtor continued to use the labor of employees under the collective bargaining agreement, it was obligated to fulfill its end of the bargain, including its contractual obligation to pay the pension funds.

Here, as in *Adventure Resources*, the Debtors have not followed the § 1113 procedures to reject the collective bargaining agreement. Consequently, the collective bargaining agreement has been assumed. *Id.* at 798 (even in the absence of a commitment to assume a collective bargaining agreement, a collective bargaining agreement is automatically assumed in the absence of a § 1113 rejection); *In re Moline*, 144 B.R. 75, 78 (Bankr. N.D. Ill. 1992) ("If the debtor never rejects the collective bargaining agreement [it] thus assumes the agreement by inaction"); *In re St. Louis Globe Democrat*, 86 B.R. 606 (Bakr. E.D. Mo. 1988) (holding that § 1113(f) effects the automatic assumption of any labor agreement not rejected). Because the collective bargaining agreement has not been assumed and the Debtors are obligated to honor its terms and conditions until the agreement is modified or rejected pursuant to the requirements of § 1113, the Debtors are bound to make the minimum funding contributions to the frozen pension funds as required by the collective bargaining agreement. Debtors are not free to continue to use bargaining unit labor and reap benefits under the collective bargaining agreement while unilaterally modifying the CBA's requirement to make minimum funding contributions to the frozen pension funds to ensure that these funds remain able to satisfy their existing obligations to participants. In exchange for the postpetition labor the Debtors are using under the collective bargaining agreement, they are bound to make the pension contributions required by the collective bargaining agreement. These contributions are entitled to administrative expense priority.

As the Bankruptcy Appellate Panel of the Ninth Circuit has explained, "Section 1113 was enacted to protect employees during the interim between the filing of the bankruptcy petition and

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court-supervised modification or ultimate rejection of the CBA. During this period, working employees benefit the estate. Their rights accrue as services are rendered *on the basis provided for by the CBA*." *Teamsters Indus. Sec. Fund v. World Sales (In re World Sales)*, 183 B.R. 872, 878 (B.A.P. 9th Cir. 1995) (emphasis added). The debtor's "employees continued employment post-petition in the 'reasonable belief'" that the terms of their employment as laid out in the CBA would remain unchanged. *Id.* "We therefore hold that a debtor's unperformed post-petition obligations under an unmodified or unrejected CBA are beyond the scope of § 365(g), and claims based on such post-petition breaches must be given administrative status." *Id.* (holding that post-petition obligations to provide healthcare coverage beyond the scope of work performed pursuant to terms of a CBA that had not yet been rejected were entitled to administrative claim status, even though they might not otherwise meet the standards for an administrative claim); *see also In re Colorado Springs Symphony Orchestra Assn.*, 308 B.R. 508 (Bankr. D. Colorado 2004) (finding that pursuant to debtor's obligation under CBA to pay musicians for minimum number of performances, whether or not musician played at all such performances, such payments entitled to administrative status for post-petition period prior to rejection of CBA).

The Debtors' failure to request authorization to continue to honor the pension obligations under the collective bargaining agreement is an attempt to unilaterally alter the minimum funding contribution requirements of the collective bargaining agreement in violation of § 1113(f). This should not be permitted. Instead, the Debtors should be required to continue to pay the required pension contributions until the provisions of the collective bargaining agreement or modified or rejected in accordance with § 1113(f).

Accordingly, the employer contributions required by the collective bargaining agreement must be paid, and the Debtors' motion should be denied to the extent it seeks to avoid these payments. *See, e.g.*, *In re Cutler Industries*, Case No. 91-21886T (Bankr. E.D. Pa. Oct. 10, 1991) (refusing to approve cash collateral order because it fails to require debtor to pay pre-petition health benefit contributions); *In re Coast to Coast Construction Co.*, (Bankr. D. R.I., June 1, 1993) (requiring debtor and secured party to amend cash collateral order to afford payment of pension fund claims).

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IV. CONCLUSION

For the reasons stated herein, SEIU-UHW respectfully requests that the Court deny the Debtors' Motion for Entry of Order Authorizing Payment of Employee Benefits and Workforce Obligations (Doc. 22) to the extent it does not seek authority to pay post-petition contributions to their employees' defined-benefit retirement plans as required under the collective bargaining agreement. SEIU-UHW also requests that the Court deny the Debtors' Motion for a Final Order Authorizing the Debtors to Use Cash Collateral (Doc. 31) to the extent the contractually required post-petition contributions to the defined-benefit retirement plans are not reflected in the Initial Agreed Budget, and asks for an order requiring Debtors to pay these amounts in the ordinary course of business.

Dated: September 19, 2018

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/s/ Caitlin E. Gray
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CERTIFICATE OF SERVICE

I am a citizen of the United States and an employee in the County of Alameda, State of California. I am over the age of eighteen years and not a party to the within action; my business address is1001 Marina Village Parkway, Suite 200, Alameda, California 94501.

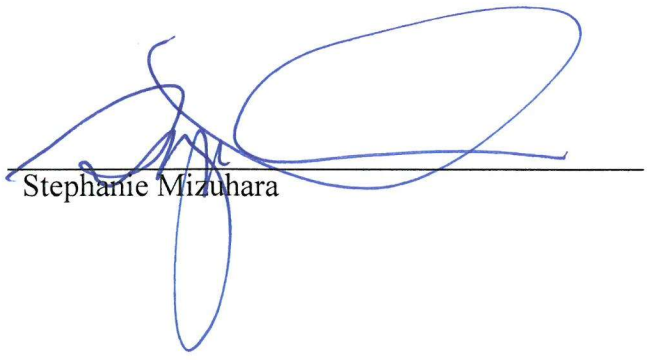
I hereby certify that on September 19, 2018, I electronically filed the forgoing **DECLARATION OF CAITLIN GRAY IN SUPPORT OF SEIU-UHW'S OPPOSITION TO EMERGENCY MOTION OF DEBTORS FOR ENTRY OF ORDER AUTHORIZING PAYMENT OF EMPLOYEE BENEFITS AND OTHER WORKFORCE OBLIGATIONS** with the U.S. Bankruptcy Court, Central District California, by using the Court's CM/ECF system, and served on the persons listed below

SEE ATTACHED SERVICE LIST.

I further certify that on on this same date, I electronically served the same by electronically mailing a true and correct copy through Weinberg, Roger & Rosenfeld's electronic mail system from smizuhara@unioncounsel.net to the email addresses set forth below.

SEE ATTACHED SERVICE LIST

I certify under penalty of perjury that the above is true and correct. Executed at Alameda, California, on September 19, 2018.



Stephanie Mizuhara

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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re:

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No.: 2:18-bk-20151-ER
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-20181-ER

Chapter 11 Cases

Hon. Judge Ernest Robles

OBJECTION OF RETIREMENT PLAN FOR HOSPITAL EMPLOYEES TO MOTION OF DEBTORS FOR FINAL ORDERS (A) AUTHORIZING THE DEBTORS TO OBTAIN POST PETITION FINANCING ETC.,

Final Hearing:
Date: October 3, 2018
Time: 10:00 a.m. (PST)
Place: United States Bankruptcy Court
255 East Temple Street
Suite 90012
Los Angeles, California 90012

Trodella & Lapping LLP
540 Pacific Avenue
San Francisco, CA 94133

TO THE COURT AND ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

Retirement Plan for Hospital Employees ("RPHE") hereby files this objection to the Emergency Motion Of Debtors *For Interim And Final Orders (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 110* [Docket No. 31] (the "Financing Motion") filed by Verity Health System Of California, Inc. ("VHS") and the above-referenced affiliated debtors, the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the "Debtors"), as follows:

BACKGROUND

RPHE is a multiemployer qualified defined benefit retirement plan under Section 401(a) of the Internal Revenue Code. VHS and certain of its affiliates, O'Connor Hospital, Saint Louise Regional Hospital, and Seton Medical Center, including Seton Medical Center Coastside, are participants in RPHE and pursuant to collective bargaining agreements ("CBAs") with the California Nurses Association ("CNA"), are obligated to make contributions to RPHE on behalf of members of CNA currently working at the above facilities. (Declaration of Michael Holdsworth, para. 2.)

Under the terms of the RPHE Trust Agreement and the Plan Document and Summary Plan Description applicable to VHS and its affiliates, IRS rules, and actuarial determinations, RPHE issues an annual Invoice to VHS requiring payment of the previous year's accrued contributions in three installments, due on February 15, May 15 and August 15 of the following calendar year. Thus, for 2017 contributions, RPHE issued Invoices to VHS for February 15, 2018 in the amount of $4,791,218, for May 15, 2018 in the amount of $4,791,218, and for August 15, 2018 in the amount of $4,791,217. VHS paid the February 15 and May 15 Invoices, but did not pay the Invoice for August 15. (Declaration of Michael Holdsworth, para. 3.)

Although RPHE has not issued VHS any Invoices for 2018, the contribution obligations continue to accrue, and have accrued for 8 months through August 31, 2018, the petition date. Thus, RPHE will have an unsecured prepetition claim for the August 15, 2018 Invoice (related to

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2017 accruals) plus the accrued contributions for January through August, 2018. From and after September 1, 2018, VHS's contribution obligations will accrue continuously post-petition as part of the benefits earned by CNA members who staff the VHS facilities, even though in the ordinary course RPHE would not bill for any 2018 accrued contributions until the three scheduled dates in 2019. These contribution obligations are administrative expenses under 11 U.S.C. sections 503(b) and 507(a)(2). *See In re Pacific Far East Line, Inc.*, 713 F.2d 476 (9th Cir. 1983) (construing predecessor provision under the Bankruptcy Act). As such, these necessary expenses should be included in the DIP Budget described and attached to the Financing Motion. But they are not, as Debtors' counsel has informed counsel for RPHE.

OBJECTION

As RPHE understands the Debtors' position, the Financing Motion and the DIP Budget on which it is based, are objectionable for two reasons. First, although Debtors recognize that some portion of the annual Invoice to be issued in 2019 (for 2018) will be administrative expenses, they choose not to reserve for them in the budget until the 13-week rolling budget arrives at February 15, 2019, when the first Invoice for 2018 contributions will be issued—the timing problem. Second, the Debtors are not recognizing their obligations to contribute for Unfunded Actuarial Liability required under ERISA—the amount problem. Each will be addressed in turn.

A. Timing.

In the circumstances of these cases, all parties, including the secured creditors, recognize that without continued operations, the value of the estate plummets. Operations require employees, including CNA members, and the administrative expenses for operations must be accommodated in the financing structure. Here, if budgeted, they are accorded true priority, ahead of the DIP financing, which primes all others. But the DIP financing requires motions for sales of major assets and presumably repayment of the DIP financing, to commence within 60 days of the Petition Date, i.e., by October 31, 2018. (Condition (d), Financing Motion, Docket 31, p. 19.) If Debtors meet this schedule, or come close, then sales could close by year end and the DIP Budget become a thing of the past. Debtors will have received the benefit of the CNA members' work, but a major component of the expense will depend on the uncertain outcomes for unsecured

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creditors in these cases. Moreover, including some benefits for some employees in the DIP Budget but not others, such as CNA members, is patently unfair and discriminatory as to CNA members.

RPHE objects to the approval of the Financing Motion unless it is contingent on adding accruals for the RPHE contributions in the DIP Budget.

B. Amount.

The contributions that Debtors are required to make to RPHE for any period fall into two categories. The first is based on the normal cost of benefits, the expected administrative expenses and a component of interest, all determined by IRS rules and actuarial determinations. The second category is Debtor's share of the Unfunded Actuarial Accrued Liability of the RPHE plan under ERISA, which is paid over a ten-year amortization. RPHE's actuarial estimate for these VHS contributions for Plan Year 2018 is attached as Exhibit A to the Declaration of Michael Holdsworth. As indicated on Exhibit A, the first category is $1,756,757 for September 1 through December 31, 2018. Over 17 weeks for that period in the budget, this equals $103,339 per week.

Based on discussions with Debtors' counsel, RPHE understands that Debtors will contend that only the first category will be recognized as an administrative expense. Thus, the second category, which is the Ten-year amortization of Unfunded Actuarial Accrued Liability of $8,732,739, less the Withdrawn Employer Surplus Credit of $1,101, 156, is $7,631,583 for the entire year. Assuming straight line analysis, this equates to $146,761 per week, or $2,494,941 over the 17-week period to the end of 2018. These amounts are estimates subject to final calculation, although Debtor's actuaries appear to be extremely close on the numbers.

Unfunded Actuarial Accrued Liability is the result of the Actuarial Accrued Liability (for expected benefits owed to plan participants) exceeding the Actuarial Value of Assets in the plan, which can result from shortfalls in contributions or, more likely, fluctuations in the value of investments or legally required changes in actuarial assumptions (e.g., mortality). Although these amounts are measured by past, i.e., prepetition, events, they are nonetheless a current obligation under ERISA. *See Columbia Packing Co. v Pension Ben. Guaranty Corp.*, 81 B.R. 205, 18 CBC2d 1005 (D. Mass. 1988). In *Columbia*, the Pension Benefit Guaranty Corporation

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("PBGC") sought administrative expense priority for "contributions which are sufficient to eliminate any deficiencies in the account" of the applicable plan. The debtor urged that any part of the current contribution obligation based on prepetition events should not have priority. As the court put it, "[t]he principle [sic] issue, then, is whether the past service liability element of the debtor's contribution should be given priority." 81 B.R. at 207. The Court held that both categories should be priority administrative expenses.

> Here, as in *Pacific Far East* [713 F.2d 476 (9th Cir. 1983)], Columbia's [the debtor's] obligation -- the past service liability cost -- was calculated by reference to services performed before the priority period. The obligation did not, however, accrue until after the priority period began. More importantly, the contribution is owed to the pension fund rather than the employees themselves. The past service liability cost is more properly viewed as an actuarial unit of measure for determining the employer's current periodic contribution than as compensation for work performed before the inception of the plan.

81 B.R. at 208-09. In a footnote to the foregoing passage, the court observed:

> Columbia argues that *Pacific Far East* is not relevant since, in this case, the obligation arose at the inception of the plan year, before the priority period. The Court disagrees. Under ERISA, the employer is required to eliminate any accumulated funding deficiency by the end of the plan year. 29 U.S.C. § 1082(a)(1). One could argue, then, that the contribution is "due" on the last day of the plan year. A more realistic view, under the circumstances, is to say that a pro rata portion of the annual contribution accrues on a daily basis over the entire plan year.

81 B.R. at 209. This analysis underscore's RPHE's position that in chapter 11, the Debtor's pension contributions must be deemed to accrue daily or weekly regardless of when they become due outside of bankruptcy.

Thus, RPHE objects to the approval of the Financing Motion unless it is contingent on

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adding accruals for the RPHE contributions in the DIP Budget in the amounts of $103,339 (category 1) plus $146,761 per week (category 2) or a total of $250,100 per week to the end of 2018, with adjustments thereafter, subject to agreement to a final fine-tuning by the actuaries.

CONCLUSION

For the foregoing reasons, RPHE respectfully requests that the Court condition approval of the Financing Motion on inclusion of a reserve fund for the RPHE plan contributions accruing in 2018 in the DIP Budget on a weekly basis in an amount to be determined by agreement or by further proceedings if agreement cannot be reached.

Dated: September 19, 2018

TRODELLA & LAPPING LLP

By: /s/ Richard A. Lapping
Richard A. Lapping
Attorneys for
Retirement Plan for Hospital Employees

Trodella & Lapping LLP
540 Pacific Avenue
San Francisco, CA 94133

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:

540 Pacific Avenue, San Francisco, CA 94133

A true and correct copy of the foregoing document entitled (*specify*): OBJECTION OF RETIREMENT PLAN FOR HOSPITAL EMPLOYEES TO MOTION OF DEBTORS FOR FINAL ORDER (A) AUTHORIZING THE DEBTORS TO OBTAIN POST PETITION FINANCING ETC., and DECLARATION OF MICHAEL HOLDSWORTH IN SUPPORT OF OBJECTION, ETC.
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*) 09/19/2018, 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*) _____, 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*) 09/19/2018, 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.

☑ 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.

09/19/2018	Richard A. Lapping	
Date	*Printed Name*	*Signature*

Attachment to Proof of Service of Document

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING(NEF)

Samuel R Maizel on behalf of Plaintiff Verity Health System of California, Inc.
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United States Trustee (LA)
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2. SERVED BY EMAIL

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Attorneys for Retirement Plan for Hospital Employees

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re:

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No.: 2:18-bk-20151-ER
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-20181-ER

Chapter 11 Cases

Hon. Judge Ernest Robles

DECLARATION OF MICHAEL HOLDSWORTH IN SUPPORT OF OBJECTION OF RETIREMENT PLAN FOR HOSPITAL EMPLOYEES TO MOTION OF DEBTORS FOR FINAL ORDERS (A) AUTHORIZING THE DEBTORS TO OBTAIN POST PETITION FINANCING ETC.,

Final Hearing:
Date: October 3, 2018
Time: 10:00 a.m. (PST)
Place: United States Bankruptcy Court
255 East Temple Street, Suite 90012
Los Angeles, California 90012

Trodella & Lapping LLP
540 Pacific Avenue
San Francisco, CA 94133

I, Michael Holdsworth, declare as follows:

1. I am the Chairman of the Board of Trustees of Retirement Plan for Hospital Employees ("RPHE") and make this declaration in support of its objection to the Emergency Motion Of Debtors *For Interim And Final Orders (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 110*. The matters stated herein are known to be to be true by personal knowledge and observation, except where stated on information and belief, and as to those matters, I believe them to be true. If called as a witness, I could and would testify competently to all matters set forth in this declaration.

2. RPHE is a multiemployer qualified retirement plan under Section 401(a) of the Internal Revenue Code. VHS and certain of its affiliates, O'Connor Hospital, Saint Louise Regional Hospital, and Seton Medical Center, including Seton Medical Center Coastside, are participants in RPHE and pursuant to collective bargaining agreements ("CBAs") with the California Nurses Association ("CNA"), are obligated to make contributions to RPHE on behalf of members of CNA currently working at the above facilities.

3. Under the terms of the RPHE Trust Agreement and the Plan Document and Summary Plan Description applicable to VHS and its affiliates, IRS rules, and actuarial determinations, RPHE issues an annual Invoice to VHS requiring payment of the previous year's accrued contributions in three installments, due on February 15, May 15 and August 15 of the following calendar year. Thus, for 2017 contributions, RPHE issued Invoices to VHS for February 15, 2018 in the amount of $4,791,218, for May 15, 2018 in the amount of $4,791,218, and for August 15, 2018 in the amount of $4,791,217, VHS paid the February 15 and May 15 Invoices, but did not pay the Invoice for August 15.

4. At my direction and request, the actuaries for RPHE, Willis Towers Watson, prepared an Estimated Funding Contributions for Plan Year 2018 for Verity Health System, a true and correct copy of which is attached hereto as Exhibit A. Exhibit A was prepared by the

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actuaries ahead of when it is ordinarily prepared, and is an estimate as indicated in the notes to Exhibit A.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed at Phoenix, Arizona on September 19, 2018.



Michael Holdsworth

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Retirement Plan for Hospital Employees

Estimated Funding Contributions for Plan Year 2018

Verity Health System

1. Costs incurred between January 1, 2018 through August 31, 2018	
a. Normal Cost	2,738,677
b. Expected Administrative Expenses	419,537
c. Interest	142,120
d. Subtotal [1.a. + 1.b. + 1.c.]	3,300,334
2. Costs incurred between September 1, 2018 through December 31, 2018	
a. Normal Cost	1,369,339
b. Expected Administrative Expenses	209,769
c. Interest	177,649
d. Subtotal [2.a. + 2.b. + 2.c.]	1,756,757
3. Amortization of Prior Obligations	
a. Amortization of Unfunded Actuarial Accrued Liability	
(i) Actuarial Accrued Liability	401,839,352
(ii) Actuarial Value of Assets	339,789,122
(iii) Unfunded Actuarial Accrued Liability [3.a.(i) - 3.a.(ii)]	62,050,230
(iv) Ten-year amortization of 3.a.(iii)	8,732,739
b. Amortization of the Withdrawn Employer Surplus Credit	
(i) Withdrawn Employer (Surplus) / Deficit	(26,436,289)
(ii) Ten-year amortization of 3.b.(i)	(3,720,554)
(iii) Verity Health's portion of Actuarial Value of Assets	29.60%
(iv) Verity's Withdrawn Employer Surplus Credit [3.b.(ii) x 3.b.(iii)]	(1,101,156)
3. Estimated 2018 Funding Contribution [1.d. + 2.d. + 3.a.(iv) + 3.b.(iv)]	**12,688,674**

Notes

- Estimates based on the data, provisions and assumptions outlined in the August 16, 2018 materials for the Board of Trustees meeting. Final results will vary due to:
  a. Actual demographic experience in 2017 different than assumed
  b. Audited assets being different than unaudited amounts
  c. Contributions for the 2017 plan year being different than expected
- Estimates were calculated at a 6.75% valuation interest rate
- Amounts shown herein do not include any assessments for extraordinary administrative expenses, which may be assessed to individual employers at the Board's discretion, except for the $25,000 annual cost to administer Verity cash balance formula for CNA nurses

EXHIBIT A

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Attorneys for U.S. Bank National Association, not individually but as Series 2015 Note Trustee and Series 2017 Note Trustee, respectively

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *ET AL.*, Debtors.	Case 2:18-bk-20151-ER Jointly Administered Chapter 11 Cases **RENEWED RESERVATION OF RIGHTS OF U.S. BANK NATIONAL ASSOCIATION, AS SERIES 2015 NOTE TRUSTEE AND SERIES 2017 NOTE TRUSTEE, TO EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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**

U.S. Bank National Association, not individually but in its respective capacities as Series 2015 Note Trustee ("*2015 Note Trustee*") and as Series 2017 Note Trustee ("*2017 Note Trustee*" and together with the 2015 Note Trustee, the "*Notes Trustee*"), hereby submits this renewed reservation of rights with respect to the *Emergency Motion of Debtors for Interim and Final Orders (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* [Docket No. 31] (the "*DIP Motion*") and respectfully states as follows:

I. Jurisdiction and Venue

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

II. Background

3. Prior to the interim hearing on the DIP Motion, the Notes Trustee filed a *Combined Reservation of Rights of U.S. Bank National Association, as Series 2015 Note Trustee and Series 2017 Note Trustee, to Emergency Motion of Debtors for Interim and Final Orders (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* [Docket No. 67] (the "*Initial Reservation*").[1]

4. As described in the Initial Reservation, as a result of various security documents and intercreditor agreements, the Notes are secured by (i) a senior first priority security interest and lien on certain of the Debtors' assets, including (x) Accounts of St. Francis Medical Center, St. Vincent Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and Seton Medical Center, including Seton Medical Center Coastside (each a "*Hospital*" and collectively, the "*Hospitals*") and

[1] Capitalized terms used but not defined herein shall have the meanings given to them in the Initial Reservation or the DIP Motion, as applicable. The Notes Trustee incorporates herein by reference the Background section of the Initial Reservation.

(y) real property and certain personal property comprising St. Francis Medical Center and Saint Louise Regional Hospital (collectively, the "*Senior Note Collateral*"); and (ii) a parity security interest and lien (held through the Master Trustee) on the collateral pledged to secure all of the Obligations under the Master Indenture, including the Series 2005 Bonds. The 2017 Notes are additionally secured by the Moss Deed of Trust (as defined in the Interim Order, defined below).

5. Pursuant to that certain Intercreditor Agreement dated as of December 1, 2015, as amended by the Amended and Restated Intercreditor Agreement dated as of September 1, 2017, as further amended by the Second Amended and Restated Intercreditor Agreement dated as of December 1, 2017 (as amended, the "*Intercreditor Agreement*"), the Master Trustee subordinated its liens and security interests, including the Gross Revenue pledge, to the Notes Trustee with respect to the Senior Note Collateral.[2] A true and correct copy of the Intercreditor Agreement is attached hereto as **Appendix A**.

6. At the first day hearing on September 5, 2018, after extensive and complex negotiations between the Debtors, the DIP Lender, and the Prepetition Secured Creditors, the Court entered an order approving the DIP Motion on an interim basis with the consent of all of the Prepetition Secured Creditors (the "*Interim Order*") [Docket No. 86]. The Interim Order provided for adequate protection for each of the Prepetition Secured Creditors in the form of, among other things, Prepetition Replacement Liens junior only to the DIP Liens and Carve Out in all of the Debtors' present and future assets to the extent of the Diminution in Value of the Prepetition Secured Creditors' respective interests in the Prepetition Collateral.

7. Importantly, the Interim Order protected the preexisting relative priorities among the Prepetition Secured Creditors by establishing corresponding priority rules for the Prepetition

[2] *See, e.g.*, Intercreditor Agreement, § 2.1 ("Each Party covenants and agrees, and the Master Trustee covenants and agrees, notwithstanding anything to the contrary contained in the Master Indenture or any of the documents related to the Master Indenture or as a matter of law, that in or outside of any Proceeding any Lien of the Master Trustee with respect to the property constituting Priority Assets shall be and is hereby expressly made subordinate . . . .") and § 2.3 ("The Master Trustee, on behalf of itself and the Holders of all outstanding Obligations under the Master Indenture, agrees that it will not, and will not cause or support any other Person to, at any time contest, seek to avoid or subordinate the validity, perfection, priority, extent or enforceability of the Notes, the Note Documents, this Agreement or any Liens and security interests of the Note Trustee in the Note Collateral securing the Notes.").

Replacement Liens.

8. Specifically, Paragraph 4(a) of the Interim Order (the "*Replacement Lien Provision*") provides:

> (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, 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), 364(d) of the Bankruptcy Code additional, valid, perfected and enforceable replacement security interests and Liens in the DIP Collateral, excluding the prepetition collateral held by WTNA with respect to the Clean Fund Bonds and the NR2 Petros Bonds, donor restricted funds held at the Philanthropic Founds and Avoidance Actions and any proceeds thereof (the "***Prepetition Replacement Liens***"), which shall be junior only to (1) the Carve Out, (2) to the DIP Liens securing the DIP Obligations, and (3) 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 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 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, unavailable, 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. 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.

III. Reservation of Rights

9. As the Debtors made clear at the first day hearing, their current strategy is to maximize value for the estates through a series of asset sales. Consequently, there is a risk that the

sale proceeds of the two most cash flow positive Hospitals, St. Francis Medical Center and Saint Louise Regional Hospital, in which the Notes Trustee holds senior liens, may be used in whole or in part to repay the DIP Facility. In this scenario, the Notes Trustee would suffer a significant Diminution in Value as a result of the loss of its senior Cash Collateral. Any Prepetition Replacement Lien granted on account of such Diminution in Value must maintain the same senior priority that existed prepetition in order to afford the Notes Trustee adequate protection.

10. The Replacement Lien Provision as set forth in the Interim Order properly protects and preserves the relative lien rights of each of the Prepetition Secured Creditors against the risk that their priority or exclusively-pledged Cash Collateral will be used to repay the DIP Loan, and must be included in any final order approving the DIP Motion (such order, the "*Final Order*").

11. The Notes Trustee reserves its right to object to any modification, without its consent, of the Replacement Lien Provision in the Final Order. Among other things, to the extent that any modification purports to subordinate the senior Prepetition Replacement Lien of the Notes Trustee to the liens and security interests of the Master Trustee, it would violate the express terms of the Intercreditor Agreement.[3]

12. Separately, the Notes Trustee continues to discuss with the Debtors the inclusion of other protections in the Final Order for the benefit of the Notes Trustee as well as the other Prepetition Secured Creditors. These provisions include conditions to the continued use of Cash Collateral, including asset sale and bankruptcy case milestones, termination rights, budgeting and reporting requirements, and other protections in connection with anticipated asset sales.

13. As with the Interim Order, the Notes Trustee will continue its good faith efforts to address any concerns it may have with the Final Order through dialogue and negotiations with the Debtors and other parties in interest. Nonetheless, the Notes Trustee hereby expressly reserves all of

[3] The Intercreditor Agreement is enforceable in these Chapter 11 Cases pursuant to section 510(a) of the Bankruptcy Code and its express terms. *See* 11 U.S.C. § 510(a); Intercreditor Agreement, § 15 ("This Agreement is a continuing agreement of subordination pursuant to its terms and in accordance with Section 510(a) of the Bankruptcy Code . . . . Master Trustee hereby acknowledges that the provisions of this Agreement are intended to be enforceable at all times, whether before or after the commencement of a Proceeding, and hereby waives any right it may have under applicable law to revoke this Agreement or any provisions hereof.").

its rights, claims, objections, and remedies with respect to the Final Order, on any grounds, as may be appropriate. Further, the Notes Trustee reserves its right to amend or supplement this reservation of rights, or to file a separate pleading in support of the entry of the Final Order, based upon any facts or arguments that come to light prior to the hearing on these issues.

Dated: September 19, 2018

MCDERMOTT WILL & EMERY LLP

By: /s/ Jason D. Strabo
Jason D. Strabo

MASLON LLP

By: /s/ Clark T. Whitmore
Clark T. Whitmore

Attorneys for U.S. Bank National Association, not individually but as Series 2015 Note Trustee and Series 2017 Note Trustee, respectively

Appendix A

Intercreditor Agreement



RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

CHICAGO TITLE COMPANY
COMMERCIAL DIVISION

Attn: Catrina C. Cohn, Esq.
Squire Patton Boggs (US) LLP
275 Battery St., Suite 2600
San Francisco, CA 94111

SPACE ABOVE THIS LINE FOR RECORDER'S USE

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

3

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

THIS SECOND AMENDED AND RESTATED **INTERCREDITOR AGREEMENT** (this "***Agreement***") entered into as of December 1, 2017 amends and restates the Amended and Restated Intercreditor Agreement, dated as of September 1, 2017, recorded in Los Angeles County as Instrument Number 20171060070 on September 18, 2017 at 8:00 a.m. (the "First Amended and Restated Intercreditor Agreement"), which amended and restated the Intercreditor Agreement, dated as of December 1, 2015 recorded in Los Angeles County as Instrument Number 20151573372 on December 15, 2015 at 8:00 a.m. and recorded in Santa Clara County as Instrument Number 23173258 on December 16, 2015 at 8:00 a.m., by and among Verity Health System of California, Inc., a nonprofit public benefit corporation incorporated under the laws of the State of California ("the "***Corporation***"), on behalf of itself and each Obligated Group Member listed on the attached **Schedule A** (each, an "***Obligor***" and collectively, the "***Obligors***"), U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (together with any successor thereto in any such capacity, the "***Note Trustee***") under (i) the Indentures, dated as of December 1, 2015 (as they may be supplemented and amended in accordance with their terms, the "***2015 Indentures***") with respect to the 2015 Notes (as defined below), (ii) the Indenture, dated as of September 1, 2017 (as it may be supplemented and amended in accordance with its terms, the "***2017 Indenture***"), with respect to the 2017 Notes (defined below), and (iii) the Indenture, dated as of December 1, 2017 (as it may be supplemented and amended in accordance with its terms, the "***2017B Indenture***" and, together with the 2015 Indentures and the 2017 Indenture, the "***Note Indentures***") with respect to the 2017B Notes (as defined below), each between the Note Trustee and the California Public Finance Authority (the "***Authority***"), and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as master trustee (together with its successors in such capacity, the "***Master Trustee***") pursuant to the Master Indenture of Trust, dated as of December 1, 2001 (as supplemented and amended in accordance with its terms, the "***Master Indenture***"), between the Corporation, the Initial Members (as defined therein) and the Master Trustee.

RECITALS

A. The Authority and the Corporation have entered into four Loan Agreements as identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2015 Loan Agreements***") with respect to the Series 2015A Notes in the original principal amount of $60 Million (the "***2015A Notes***"), the Series 2015B Notes in the original principal amount of $45 Million (the "***2015B Notes***"), the Series 2015C Notes in the original principal amount of $10 Million (the "***2015C Notes***"), and the Series 2015D Notes in the original principal amount of $45 Million (the "***2015D Notes***", and collectively, the "***2015 Notes***") and one Loan Agreement as identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2017 Loan Agreement***") with respect to the Series 2017 Notes in the original principal amount of $21 Million (the "***2017 Notes***") and are expected to enter into one Loan Agreement identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2017B Loan Agreement***" and, together with the 2015 Loan Agreements and 2017 Loan Agreement, the "***Loan Agreements***") with respect to the 2017B Notes in the original

principal amount of $21 Million (the "***2017B Notes***" and, together with the 2015 Notes and the 2017 Notes, the "***Notes***"), pursuant to which, among other things, the Authority has made or has agreed to make, subject to the terms and conditions set forth in the Loan Agreements, loans and financial accommodations to the Corporation to be used for refinancing, working capital and other purposes for each Obligor and certain affiliates. All of the Corporation's Obligations (as defined in the Loan Agreements) are secured by liens on and security interests in certain property of the Corporation and the Obligors (the "***Note Collateral***") as set forth in **Schedule C**, and are further secured by certain obligations (the "***MTI Note Obligations***") issued under the Master Indenture pursuant to the Supplemental Master Indentures for the MTI Note Obligations as set forth in **Schedule D**.

B. The Obligors listed in **Schedule C** entered into Security Agreements with the Note Trustee, dated as of December 14, 2015 in connection with the 2015 Notes and amended and restated those Security Agreements, dated as of September 1, 2017 in connection with, and to include, the 2017 Notes, and amended and restated those Security Agreements, dated as of December 1, 2017 in connection with, and to include, the 2017B Notes (as the same may be amended, restated, supplemented or otherwise modified from time to time as permitted hereunder, the "***Security Agreements***") as set forth in **Schedule E**. All of the Corporation's obligations pursuant to the Loan Agreements are secured by the accounts receivable of the Obligors listed on **Schedule C**.

C. The Corporation, on behalf of each of St. Francis Medical Center and Saint Louise Regional Hospital have executed and delivered the St. Francis Deeds of Trust and the Saint Louise Deed of Trust, respectively, on certain of their respective real and personal property as set forth in **Schedule C** and have delivered to the Note Trustee Subordination Agreements executed by the Master Trustee relating to the Master Trustee's liens on such real and personal property. All of the Corporation's obligations pursuant to the Loan Agreements are secured by these Deeds of Trust on a senior lien basis in accordance with the related Subordination Agreements.

D. The Note Collateral (as defined in **Schedule C**) was granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2015 Loan Agreements. The purchasers of the 2015 Notes (the "***2015 Holders***") required the execution and delivery of the Original Agreement by the Master Trustee, the 2015 Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee and Master Trustee under the 2015 Note Documents (as defined below) and the Master Indenture.

E. The Note Collateral (as defined in **Schedule C**) was granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2017 Loan Agreement. The purchasers of the 2017 Notes (the "***2017 Holders***") required the execution and delivery of the First Amended and Restated Intercreditor Agreement by the Master Trustee, the Note Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee, as trustee for the holders of the 2015 Notes and the 2017 Notes, and Master Trustee under the Note Documents (as defined below) and the Master Indenture.

F. The Note Collateral (as defined in **Schedule C**) is granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2017B Loan Agreement. The purchasers of the 2017B Notes (the ***"2017B Holders"*** and, together with the 2015 Holders and the 2017 Holders, the ***"Note Holders"***) required the execution and delivery of this Agreement by the Master Trustee, the Note Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee, as trustees for the holders of the 2015 Notes, the 2017 Notes and the 2017B Notes, and Master Trustee under the Note Documents (as defined below) and the Master Indenture.

G. The 2015 MTI Obligations have been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2015 Trustee for the benefit of the 2015 Holders as additional security for the obligations of the Corporation under the 2015 Loan Agreements; the 2017 MTI Obligation has been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2017 Trustee for the benefit of the 2017 Holders as additional security for the obligations of the Corporation under the 2017 Loan Agreement; and the 2017B MTI Obligation has been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2017B Trustee for the benefit of the 2017B Holders as additional security for the obligations of the Corporation under the 2017B Loan Agreement. Pursuant to the MTI Note Obligations and the Master Indenture, the MTI Note Obligations are secured under the Master Indenture on equal rank without preference, priority or distinction of any Obligation issued under the Master Indenture over any other such Obligations (the ***"MTI Collateral"***). The MTI Collateral includes a pledge of the Gross Revenues (as defined in the Master Indenture) of the Obligated Group which includes accounts receivable.

H. Pursuant to Section 5.01(B) of each of the 2015 Indenture and the 2017 Indenture, the Authority has assigned to the 2015 Trustee or 2017 Trustee, as applicable, for the benefit of the Holders from time to time of the respective Notes, its security interest in the Note Collateral which has been pledged to the Authority to support the obligations of the Corporation in the 2015 Loan Agreements and the 2017 Loan Agreement, as applicable.

I. As of the issuance of the 2017B Notes, the Obligations Outstanding under the Master Indenture secure the repayment of: (i) the 2005A Bonds in the outstanding principal amount of $246,345,000, the 2005G Bonds in the outstanding principal amount of $10,855,000, the 2005H Bonds in the outstanding principal amount of $8,985,000 (total outstanding principal amount of 2005 Bonds is $266,185,000) (collectively, the "2005 Bonds"), (ii) the 2015 Notes, (iii) the 2017 Notes, and (iv) the 2017B Notes.

J. The 2005 Bonds are subject, under certain circumstances, to certain Remediation Requirements pursuant to the provisions of the Internal Revenue Code as indicated in the Tax Certificates for the 2005 Bonds. In the event of an action which results in the need for a remediation of certain outstanding 2005 Bonds, the Authority or the Corporation will seek an opinion of Nationally Recognized Bond Counsel as to what application of the amount of proceeds of any sale or disposition of the applicable property financed by the 2005 Bonds is required in connection with the applicable change in use of any bond financed property. The 2005 Bonds are callable at par as of July 1, 2015.

K. The Master Indenture contains certain covenants as to Additional Indebtedness (Sec 3.05) and Against Encumbrances (Sec 3.04).

L. The 2015 Notes and the 2017 Notes were, and the 2017B Notes are, issued as Additional Indebtedness in accordance with the provisions of Sec 3.05(d) of the Master Indenture as certified by the Chief Financial Officer of the Corporation.

M. The liens supporting the 2015 Notes and the 2017 Notes were, and the liens supporting the 2017B Notes are, granted as Permitted Liens: 1) pursuant to subsection (m) of the defined term Permitted Liens as to the grant of liens on accounts receivable as certified by the Vice President and Treasurer of the Corporation; and 2) pursuant to subsection (q) of the defined term Permitted Liens as to the Deeds of Trust and the security interest in the Property related thereto as certified by the Vice President and Treasurer of the Corporation.

N. Pursuant to Section 3.04(d) of the Master Indenture, the Master Trustee is directed to execute and deliver a reasonably requested subordination in connection with the grant of a Permitted Lien.

NOW, THEREFORE, in order to induce the 2017B Holders to purchase the 2017B Notes and the Note Trustee and the Authority to consummate the transactions contemplated by the 2017B Loan Agreement, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

(a) As used herein, capitalized terms shall have the meanings given to them in the Loan Agreements, the Indentures, the Master Indenture, the Security Agreements, the Deeds of Trust and the Subordination Agreements executed in connection with the Deeds of Trust, except as otherwise defined herein or as the context otherwise requires.

(b) Any term used in the Uniform Commercial Code as adopted in the State of California, as it may hereafter be amended (***"UCC"***) and not defined in this Agreement or in the documents set forth in subsection (a) above has the meaning given to the term in the UCC.

"Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time, and any successor statute and all rules and regulations promulgated thereunder.

"Deeds of Trust" means, collectively, the St. Francis Deeds of Trust and the Saint Louise Deed of Trust.

"Lien" means any lien, security interest, pledge, bailment, mortgage, hypothecation, deed of trust, conditional sales and title retention agreement (including any lease in the nature thereof), charge, encumbrance or other similar arrangement or interest in real or personal property, now owned or hereafter acquired, whether such interest is based on common law, statute or contract.

"***Nationally Recognized Bond Counsel***" means Squire Patton Boggs (US) LLP or any other bond counsel firm with a national reputation for delivering opinions with respect to the tax-exemption of interest on municipal bonds for federal income tax purposes that is retained by the Corporation or the Authority for the purpose of rendering an opinion as to Remediation Requirements.

"***Note Documents***" means, collectively, the 2015 Note Documents, the 2017 Note Documents and the 2017B Note Documents, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"***Person***" means any natural person, corporation, general or limited partnership, limited liability company, firm, trust, association, government, governmental agency or other entity, whether acting in an individual, fiduciary or other capacity.

"***Priority Assets***" means the assets constituting the Note Collateral identified on **Schedule C** hereto.

"***Priority Lien***" means the Lien on the Priority Assets.

"***Proceeding***" means any voluntary or involuntary insolvency, bankruptcy, receivership, custodianship, liquidation, dissolution, reorganization, assignment for the benefit of creditors, appointment of a custodian, receiver, trustee or other officer with similar powers or any other proceeding for the liquidation, dissolution or other winding up of a Person.

"***Remediation Requirements***" mean those certain requirements for remediation of the 2005 Bonds to the extent arising from the ownership or use of Priority Assets financed or refinanced with proceeds of the 2005 Bonds, as set forth in the Tax Certificates executed in connection with the 2005 Bonds and as to any specific instance addressed in the opinion of Nationally Recognized Bond Counsel.

"St. Francis Deeds of Trust" means (a) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 3630 East Imperial Highway, Lynwood, California, dated as of December 28, 2017, executed by the Corporation on behalf of St. Francis Medical Center, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof; (b) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 2700 E. Slauson Avenue, Huntington Park, California, dated as of December 28, 2017, executed by the Corporation, on behalf of St. Francis Medical Center, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof; and (c) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 5953 Atlantic Blvd. (also known as 5931 and 5957 Atlantic Blvd, including surface parking), Maywood, California, dated as of December 28, 2017, executed by the Corporation, on behalf of St. Francis Medical Center, as trustor, in favor

of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Saint Louise Deed of Trust" means that certain Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 9400 No Name Uno, Gilroy, California, dated as of December 28, 2017, executed by the Corporation on behalf of Saint Louise Regional Hospital, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"2015 Note Documents" means the 2015 Notes, the 2015 Loan Agreements, the 2015 Indentures, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"2017 Note Documents" means the 2017 Notes, the 2017 Loan Agreement, the 2017 Indenture, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"2017B Note Documents" means the 2017B Notes, the 2017B Loan Agreement, the 2017B Indenture, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

2. Subordination.

2.1 **Subordination of Master Trustee's Lien to Priority Lien**. Each Party covenants and agrees, and the Master Trustee covenants and agrees, notwithstanding anything to the contrary contained in the Master Indenture or any of the documents related to the Master Indenture or as a matter of law, that in or outside of any Proceeding any Lien of the Master Trustee with respect to the property constituting Priority Assets shall be and is hereby expressly made subordinate, to the extent and in the manner hereinafter set forth, to the Lien of the Note Trustee in such Priority Assets (whether or not such Lien of the Note Trustee is a perfected Lien). Irrespective of the timing of such acquisition, each Note Holder shall be deemed to have acquired its Notes in reliance upon the provisions contained in this Agreement. Each Party, including the Note Trustee, covenants and agrees that notwithstanding the Priority Lien in the Priority Assets granted to the Note Trustee, the application of amounts subject to such Priority Lien shall be subject to the Remediation Requirements as set forth herein, and each Party, including the Master Trustee, covenants and agrees that the existence of the Remediation Requirements and the provisions hereof with respect thereto shall not in any manner affect the existence of a first Priority Lien to the Note Trustee in the Priority Assets and that any proceeds

of the Priority Assets or the Note Collateral that, in accordance with the terms hereof, are applied to the Remediation Requirements shall not be deemed to have been applied to or reduce in any manner the payment obligations of the Corporation or the Obligors under the Note Documents or the MTI Note Obligations. Without limiting the foregoing, notwithstanding the date, time, manner or order of grant, attachment or perfection of any Liens and security interests of the Master Trustee in the Note Collateral, until the principal of, interest on and premium, if any, on the Notes have been indefeasibly paid in full in cash, any Liens and security interests of the Master Trustee in the Note Collateral which may exist from time to time (whether the same exist on the date hereof or otherwise) shall be and hereby are subordinated for all purposes and in all respects to the Priority Liens and security interests of the Note Trustee in the Note Collateral.

2.2 **Incorrect Payments**. In the event that, notwithstanding the provisions of this Agreement, the Master Trustee receives any payment of any kind or character, whether in cash, property, or securities, in violation of the terms of this Agreement, such payment shall be delivered forthwith to the Note Trustee for application to the payment of the 2015 Notes, 2017 Notes or 2017B Notes, as applicable, to the extent necessary to pay or defease all 2015 Notes, 2017 Notes or 2017B Notes, as applicable, in full or otherwise held or applied pursuant to this Agreement. The Note Trustee is irrevocably authorized and appointed attorney-in-fact for the Master Trustee to supply any required endorsement or assignment. Until so delivered, any such payment or collateral shall be held by the Master Trustee in trust for the Note Trustee and shall not be commingled with other funds or property of the Master Trustee.

2.3 **No Contest of Priority Liens and Security Interests**. The Master Trustee, on behalf of itself and the Holders of all outstanding Obligations under the Master Indenture, agrees that it will not, and will not cause or support any other Person to, at any time contest, seek to avoid or subordinate the validity, perfection, priority, extent or enforceability of the Notes, the Note Documents, this Agreement or any Liens and security interests of the Note Trustee in the Note Collateral securing the Notes.

2.4 **Unconditional Subordination**. No action which the Note Trustee may take or omit to take in connection with any of the Note Documents or the MTI Note Obligations, any of the Notes, or any security therefor, and no course of dealing of the Note Trustee with any Obligor, the Master Trustee, or any other Person, shall release or diminish the Master Trustee's obligations, liabilities, agreements or duties hereunder, affect this Agreement in any way, or afford the Master Trustee any recourse against the Note Trustee, regardless of whether any such action or inaction may increase any risks to or liabilities of the Note Trustee, the Master Trustee or any Obligor or increase any risk to or diminish any safeguard of any security. Without limiting the foregoing, the Master Trustee hereby expressly agrees that the Note Trustee may, from time to time, without notice to or the consent of the Master Trustee:

i. amend, change or modify, in whole or in part, any one or more of the Note Documents and give or refuse to give any waivers or other indulgences with respect thereto;

ii. neglect, delay, fail, or refuse to take or prosecute any action for the collection or enforcement of any of the obligations of the Obligors under the Note Documents or the MTI Note Obligations, to (i) foreclose or take or prosecute any action in connection with the Note

Documents, (ii) bring suit against an Obligor or any other Person, or (iii) take any other action concerning the Notes, the Note Documents or the MTI Note Obligations;

iii. accelerate, change, rearrange, extend, or renew the time, terms, or manner for payment or performance of any one or more of the obligations of the Obligors under the Note Documents or the MTI Note Obligations;

iv. compromise or settle any unpaid or unperformed obligations of the Obligors under the Note Documents or the MTI Note Obligations;

v. take, exchange, amend, eliminate, surrender, release, or subordinate any or all security for any or all of the obligations of the Obligors under the Note Documents or the MTI Note Obligations, accept additional or substituted security therefor, or perfect or fail to perfect the Note Trustee's rights in any or all security;

vi. discharge, release, substitute or add obligors with respect to the obligations of the Obligors under the Note Documents or the MTI Note Obligations; and

vii. apply all monies received from the Authority, the Obligors or others, or from any security for any of the Note Documents, as the Note Trustee may determine to be in its best interest, without in any way being required to apply all or any part of such monies upon any particular Notes.

No change of law or circumstances shall release or diminish the Master Trustee's obligations, liabilities, agreements, or duties hereunder, affect this Agreement in any way, or afford the Master Trustee any recourse against the Note Trustee. Without limiting the foregoing, no obligations, liabilities, agreements, or duties of the Master Trustee under this Agreement shall be released, diminished, impaired, reduced, or affected by the occurrence of any of the following from time to time, even if occurring without notice to or without the consent of the Master Trustee:

i. any Proceeding or any discharge, impairment, modification, release, or limitation of the liability of, or stay of actions or lien enforcement proceedings against, any properties of any Obligor, or the estate in bankruptcy of any Obligor in the course of or resulting from any such Proceedings;

ii. the failure by the Note Trustee to file or enforce a claim in any Proceeding described in the immediately preceding clause (i) or to take any other action in any Proceeding to which any Obligor is a party;

iii. the release by operation of law of any Obligor from any of its obligations under the Note Documents or the MTI Note Obligations or any other obligations to the Note Trustee;

iv. the invalidity, deficiency, illegality, or unenforceability of any of the Note Documents or the obligations of the Obligors under the Note Documents or the MTI Note Obligations, in whole or in part, any bar by any statute of limitations or other law of recovery on any of the obligations of the Obligors under the Note Documents or the MTI Note Obligations,

or any defense or excuse for failure to perform on account of force majeure, act of God, casualty, impossibility, impracticability, or other defense or excuse whatsoever;

v. the failure of the Note Trustee or any other Person to sign any instrument or agreement; and

vi. without limiting any of the foregoing, any fact or event (whether or not similar to any of the foregoing) which in the absence of this provision would or might constitute or afford a legal or equitable discharge or release of or defense other than the actual payment of the obligations of the Obligors under the Note Documents or the MTI Note Obligations and the performance by the Master Trustee under this Agreement.

2.5 **Requirement of Notice**. The Master Trustee agrees to notify the Note Trustee promptly upon obtaining knowledge of the happening of any of the following: (i) the occurrence of any default or event of default under the Master Indenture; (ii) the waiver by the Master Trustee of any default or event of default under the Master Indenture; or (iii) the exercise of any remedies under the Master Indenture. The Note Trustee agrees to notify the Master Trustee promptly upon obtaining knowledge of the happening of any of the following: (i) the occurrence of any event of default under any of the Note Documents; (ii) the waiver by the Note Trustee of any event of default under any of the Note Documents; or (iii) the exercise of any remedies under the Note Documents. Failure to provide any notice required hereby shall not affect the subordination of the Master Trustee's Lien in the Priority Assets effected hereby.

3. Intercreditor Provisions.

3.1 **Marshaling and Similar Rights**. In foreclosing or realizing on any Priority Assets, the Note Trustee may proceed in any manner and in any order which the Note Trustee, in its sole discretion, shall choose, even though a higher price might have been realized if the Note Trustee had proceeded to foreclose or realize on its security interests in another manner or order. The Note Trustee shall not be required to marshal its claims against one or more assets securing the Notes.

3.2 **Rights of Note Trustee under the MTI Note Obligations**. The Note Trustee is the holder of MTI Note Obligations for all Notes and is entitled to enforce payment and performance of the MTI Note Obligations and to exercise all rights and powers given to it under any of the Note Documents.

3.3 **Specific Performance**. The Note Trustee is hereby authorized to demand specific performance of this Agreement at any time when the Master Trustee shall have failed to comply with any provision hereof. The Master Trustee hereby irrevocably waives any defenses based on the adequacy of a remedy at law which might be asserted as a bar to the action of the Note Trustee.

3.4 **No Duties**. The Master Trustee hereby agrees that (i) the Note Trustee shall not have any responsibility or duty to the Master Trustee with respect to any of the Priority Assets except for such duties as are imposed by law and which cannot be waived by agreement, and (ii) the Note Trustee shall be free to take or omit to take any and all such action with respect

to the Priority Assets as it may so choose, without consent by the Master Trustee and without regard to or consideration of the interests of the Master Trustee or the holders of the 2005 Bonds.

4. Representations and Warranties.

4.1 **Representations and Warranties of Master Trustee.** The Master Trustee hereby represents and warrants to the Note Trustee that (a) it is a duly formed and validly existing national bank; (b) it has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (c) the execution of this Agreement by it will not violate or conflict with its organizational documents, the Master Indenture or any other material agreement binding upon it or any law, regulation or order or require any consent or approval which has not been obtained; and (d) this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles.

4.2 **Representations and Warranties of the Note Trustee.** The Note Trustee hereby represents and warrants to the Master Trustee that as of the date hereof: (a) it is a duly formed and validly existing national bank; (b) it has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (c) the execution of this Agreement by it will not violate or conflict with its organizational documents, any material agreement binding upon it or any law, regulation or order or require any consent or approval which has not been obtained; and (d) this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles.

5. Remediation Requirements. The Corporation and the Obligors hereby represent that (i) in the event of foreclosure, deed in lieu of foreclosure or other disposition or transfer of the St. Francis Medical Center property located at 3630 East Imperial Highway, Lynwood, CA to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3) using the applicable property in a manner that does not constitute unrelated business use, or private use, the amount of proceeds that may be required to be applied pursuant to the Remediation Requirements for the principal amount of the 2005 Bonds shall not exceed $68,000,000 plus outstanding interest on such allocable 2005 Bonds as of the date of Remediation, (ii) in the event of foreclosure, deed in lieu of foreclosure or other disposition or transfer of the Saint Louise Regional Hospital property located at 9400 No Name Uno, Gilroy, CA to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3), using the applicable property in a manner that does not constitute unrelated business use, or private use, the maximum amount of proceeds that may be required to be applied pursuant to the Remediation Requirements for the principal amount of the 2005 Bonds shall not exceed $5,500,000 plus outstanding interest on such allocable 2005 Bonds as of the date of Remediation, and (iii) there are no Remediation Requirements with respect to the properties located at 2700 E. Slauson Avenue, Huntington Park, CA and 5957 Atlantic Blvd., Maywood, CA. In the event of a foreclosure, deed in lieu of foreclosure or other disposition or transfer

described in clauses (i) or (ii) of the preceding sentence, the actual amount required to be applied to Remediation Requirements shall be as set forth in an opinion of Nationally Recognized Bond Counsel addressed to the Trustee for the 2005 Bonds (the "2005 Trustee") and the Note Trustee, but shall not exceed the maximum amounts set forth in the preceding sentence. Until the date of receipt by the 2005 Trustee and the Note Trustee of such an opinion setting forth the amount required to be applied to Remediation Requirements in the event the Note Trustee receives cash proceeds from such event or transaction, the Note Trustee agrees to segregate the lesser of such cash proceeds received under (i) or (ii), as applicable, or the amount referenced in clause (i) or (ii) above, as applicable (as applicable, the "***Potential Remediation Amounts***") and not to apply any Potential Remediation Amounts to the payment of the Notes or for any other purpose. Upon receipt of an opinion of Nationally Recognized Bond Counsel addressed to the 2005 Trustee and the Note Trustee stating that a specified amount of a Potential Remediation Amount must be applied to Remediation Requirements for the 2005 Bonds in order to preserve the tax-exemption of interest on the 2005 Bonds and when so applied will preserve the tax-exemption of interest on the 2005 Bonds, the Note Trustee shall transfer such specified amount of cash proceeds to the 2005 Trustee for application as required by such opinion of Nationally Recognized Bond Counsel, and the balance, if any, of such Potential Remediation Amounts thereafter may be applied by the Note Trustee without regard to the Remediation Requirements. The Note Trustee agrees that unless the Note Trustee and 2005 Trustee have received an opinion of Nationally Recognized Bond Counsel addressed to the Note Trustee and the 2005 Trustee stating that such action will not adversely affect the tax-exemption of interest on the 2015 Bonds, no foreclosure, deed in lieu of foreclosure or other disposition or transfer to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3) using the applicable property in a manner that does not constitute unrelated business use, or private use shall be consummated by the Note Trustee other than in a transaction in which the consideration received is exclusively cash within the meaning of 26 CFR 1.141-12(d)(2). The Note Trustee agrees that no foreclosure, deed in lieu of foreclosure or other disposition or transfer to an entity that is a non-federal governmental entity or an exempt entity under Section 501(c)(3) shall be consummated by the Note Trustee unless the Note Trustee and the 2005 Trustee have received an opinion of Nationally Recognized Bond Counsel addressed to the Note Trustee and the 2005 Trustee stating that either (a) anticipatory remedial action within the meaning of 26 CFR 1.141-12(d)(3) has occurred with respect to the 2005 Bonds, or the 2005 Trustee has received cash and instructions as to the application thereof to the redemption of 2005 Bonds in a manner that will constitute anticipatory remedial action within the meaning of 26 CFR 1.141-12(d)(3), such that the applicable foreclosure, deed in lieu of foreclosure or other disposition or transfer will not adversely affect the tax-exemption of interest on the 2005 Bonds irrespective of the subsequent use or ownership of the transferred property or (b) the applicable transferee has delivered covenants, with respect to which the 2005 Trustee is a third party beneficiary, as to the use and ownership of such property by such transferee and any further transferee thereof in a manner consistent with the preservation of the tax-exemption of interest on the 2005 Bonds.

6. **Entire Agreement; Modification**. This Agreement evidences the entire agreement of the parties regarding the ordering of interests set forth herein, and all prior oral discussions and writings are merged into this Agreement. Any modification or waiver of any provision of this Agreement, or any consent to any departure by any party from the terms hereof, shall not be effective in any event unless the same is in writing and signed by the Note Trustee, the Master Trustee and the Corporation, and then such modification, waiver or consent shall be

effective only in the specific instance and for the specific purpose given. Any notice to or demand on any party hereto in any event not specifically required hereunder shall not entitle the party receiving such notice or demand to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

7. **Further Assurances**. Each party to this Agreement will promptly execute and deliver such further instruments and agreements and do such further acts and things as may be reasonably requested in writing by any other party hereto that may be necessary or desirable in order to effect fully the purposes of this Agreement.

8. **Notices**. Unless otherwise specifically provided herein, any notice delivered under this Agreement shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier service or certified or registered United States mail and shall be deemed to have been given (a) if delivered in person, when delivered; (b) if delivered by telecopy or electronic mail, on the date of transmission if transmitted on a Business Day before 12:00 p.m. (California time) or, if not, on the next succeeding Business Day; (c) if delivered by overnight courier, one Business Day after delivery to such courier properly addressed; or (d) if by United States mail, four Business Days after deposit in the United States mail, postage prepaid and properly addressed.

Notices shall be addressed as follows:

If to the Master Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to (which shall not constitute notice):

U.S. Bank National Association
2300 W. Sahara, Suite 200
LM-NV-NFC2
Las Vegas, NV 89102
Attn: Global Corporate Trust Services

and to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
Attn: Len Weiser-Varon, Esq.

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If to the Corporation or any Obligor:

Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, CA 94065
Attn: Chief Financial Officer

with copies to (which shall not constitute notice):

Squire Patton Boggs
275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

If to Note Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to (which shall not constitute notice):

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

or in any case, to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this Section 8.

9. **Successors and Assigns**. This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the Note Trustee, the Master Trustee, the Corporation or any other Obligor. To the extent permitted under the Note Documents, the Note Holders may, from time to time, without notice to the Master Trustee, assign or transfer any or all of the Notes or any interest therein to any Person and, notwithstanding any such assignment or transfer, or any subsequent assignment or transfer, the Notes shall, subject to the terms hereof, be and remain Notes for purposes of this Agreement, and every permitted assignee or transferee of any of the Notes or of any interest therein shall, to the extent of the interest of such permitted assignee or transferee in the Notes, be entitled to rely upon and be the third party beneficiary of the subordination provided under this Agreement and shall be entitled to enforce the terms and provisions hereof to the same extent as if such assignee or transferee were initially a party hereto. The 2005 Trustee, on behalf of the holders of the 2005 Bonds, shall be a third party beneficiary of Section 5 hereof, and neither such Section 5 nor this sentence shall be amended, modified or waived without the consent of the 2005 Trustee.

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10. Relative Rights. This Agreement shall define the relative rights of the Note Trustee on the one hand and the Master Trustee on the other hand. Nothing in this Agreement shall (a) impair, as among the Corporation, the Master Trustee and the Note Trustee and as between the Corporation and the Master Trustee, the obligation of the Corporation or any other Obligor with respect to the payment of the Notes in accordance with their respective terms or (b) affect the relative rights of the Note Trustee or the Master Trustee with respect to any other creditors of the Corporation.

11. No Waiver. Notwithstanding any other provision of this Agreement, nothing in this Agreement shall constitute a waiver of any rights any Holder may have, or any duties the Master Trustee may have, to direct or take any action permitted or required by the Master Indenture, in the event that any amendment, change or modification to any one or more of the Note Documents or any calculation of the amount described in subsection (m) or (q) of the defined term Permitted Lien causes any portion of the Priority Lien not to be a Permitted Lien.

12. Headings. The paragraph headings used in this Agreement are for convenience only and shall not affect the interpretation of any of the provisions hereof.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

14. Severability. In the event that any provision of this Agreement is deemed to be invalid, illegal or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court or governmental authority, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby, and the affected provision shall be modified to the minimum extent permitted by law so as most fully to achieve the intention of this Agreement.

15. Continuation of Subordination; Termination of Agreement. This Agreement is a continuing agreement of subordination pursuant to its terms and in accordance with Section 510(a) of the Bankruptcy Code and shall remain in full force and effect until (i) the indefeasible payment in full in cash of the principal of, interest on and premium, if any, on the Notes, and (ii) the documents and instruments evidencing the Notes have been terminated or performed, in each case in accordance with their respective terms after which this Agreement shall terminate without further action on the part of the parties hereto. The liability and obligations of the Master Trustee hereunder shall be reinstated and revived and the Note Trustee's rights shall continue, with respect to any amount at any time paid on account of the Notes which shall thereafter be required to be restored or returned by the Note Trustee in any Proceeding (including, without limitation, any repayment made pursuant to any provision of Chapter 11 of the Bankruptcy Code, or with respect to any fraudulent transfer or conveyance law), all as though such amount had not been paid. Master Trustee hereby acknowledges that the provisions of this Agreement are intended to be enforceable at all times, whether before or after the commencement of a Proceeding, and hereby waives any right it may have under applicable law to revoke this Agreement or any provisions hereof.

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16. **Applicable Law**. This Agreement shall be governed by and shall be construed and enforced in accordance with the internal laws of the State of California, without regard to conflicts of law principle, but giving effect to federal laws applicable to national banks.

17. **CONSENT TO JURISDICTION. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY CONSENTS TO THE JURISDICTION OF THE STATE COURTS OF THE STATE OF CALIFORNIA AND OF THE FEDERAL COURTS LOCATED IN CALIFORNIA AND IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE LITIGATED IN SUCH COURTS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREE THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON IT BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS AT THEIR RESPECTIVE ADDRESSES SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED.**

18. WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY LAW, EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE NOTE DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN ITS RELATED FUTURE DEALINGS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS WARRANTS AND REPRESENTS THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

19. **NO ORAL AGREEMENTS. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS AMONG THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS AMONG THE PARTIES.**

[*The Remainder of this Page Intentionally Left Blank*]

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IN WITNESS WHEREOF, the Note Trustee, the Master Trustee, the Corporation and each other Obligor have caused this Agreement to be executed as of the date first above written.

NOTE TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION
as Note Trustee

By: _____
Julia Hommel
Vice President

Vice President

(Signature Page to Intercreditor Agreement)

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

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MASTER TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION
as Master Trustee

By: _____
Julia Hommel
Vice President

(Signature Page to Intercreditor Agreement)

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public
personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

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VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a nonprofit corporation, on behalf of itself and each Obligor

By: _____
AKA TY H. CONNER
Ty Conner
Vice President and Treasurer

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* San Mateo)

On 12/20/17, 2017, before me, Matthew E. Hopper, Notary Public personally appeared Ty H. Comes, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by his ~~or her~~ signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

[Seal]

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SCHEDULE A

OBLIGORS

Verity Health System of California, Inc. (the "Corporation")

O'Connor Hospital

Saint Louise Regional Hospital

Seton Medical Center

St. Francis Medical Center

St. Vincent Medical Center

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SCHEDULE B

2015 LOAN AGREEMENTS

1.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $60,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015A, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

2.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015B, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

3.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $10,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015C (FEDERALLY TAXABLE), as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

4.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015D, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

2017 LOAN AGREEMENT

5.) Loan Agreement dated as of September 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017

2017B LOAN AGREEMENT

6.) Loan Agreement dated as of December 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017B

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SCHEDULE C

NOTE COLLATERAL

"Note Collateral" means:

(m) Accounts of:

St. Francis Medical Center
St. Vincent Medical Center
O'Connor Hospital
Saint Louise Regional Hospital
Seton Medical Center including Seton Coastside

(q) Real property located at, and personal property located at, used in connection with or otherwise described in the St. Francis Deeds of Trust and Saint Louise Deed of Trust, respectively, as to the following Property the aggregate Book Value of which Property secured by said Deeds of Trust and created or permitted to exist pursuant to clause (q) of the definition of Permitted Liens shall not exceed 20% of the aggregate Book Value of all Property of the Obligated Group:

St. Francis Medical Center

- 3630 East Imperial Highway, Lynwood, CA
- 2700 E. Slauson Avenue, Huntington Park, CA
- 5953 Atlantic Blvd., Maywood, CA (also known as 5931 and 5957 Atlantic Blvd., including surface parking)

Saint Louise Regional Hospital

- 9400 No Name Uno, Gilroy, CA

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SCHEDULE D

MASTER TRUST INDENTURE NOTE OBLIGATIONS

2015 MTI Obligations

Master Trust Indenture Obligation No. 16 in the amount of $60,000,000

Master Trust Indenture Obligation No. 17 in the amount of $45,000,000

Master Trust Indenture Obligation No. 18 in the amount of $10,000,000

Master Trust Indenture Obligation No. 19 in the amount of $45,000,000

2017 MTI Obligation

Master Trust Indenture Obligation No. 21 in the amount of $21,000,000

2017B MTI Obligation

Master Trust Indenture Obligation No. 22 in the amount of $21,000,000

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SCHEDULE E

SECURITY AGREEMENTS

1. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of O'Connor Hospital, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

2. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Saint Louise Regional Hospital, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

3. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Seton Medical Center, and U.S. Bank National Association, as Trustee; as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

4. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Seton Coastside, a division of Seton Medical Center, and U.S. Bank National Association, as Trustee; as assignee under the Loan Agreement between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2017B Notes.

5. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of St. Francis Medical Center, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

6. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of St. Vincent Medical Center, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

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:

McDermott Will & Emery LLP
2049 Century Park East, 38th Floor
Los Angeles, CA 90067-3218

A true and correct copy of the foregoing document entitled Renewed Reservation of Rights of U.S. Bank National Association, as Series 2015 Note Trustee and as Series 2017 Note Trustee, to Emergency Motion of Debtors for Final Orders (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 September 19, 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:

The United States Trustee
Hatty K. Yip hatty.yip@usdoj.gov
Alvin Mar Alvin.mar@usdoj.gov

ATTORNEYS FOR DEBTOR
Samuel R. Maizel samuel.maizel@dentons.com
John A. Moe john.moe@dentons.com
Tania M. Moyron tania.moyron@dentons.com

Gregory A. Bray, Mark Shinderman, and James C. Behrens on behalf of the Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.
gbray@milbank.com, mshinderman@milbank.com, jbehrens@milbank.com

Emily P. Rich, Tracy L. Mainguy, and Caitlin E. Gray on behalf of Stationary Engineers Local 39, SEIU United Healthcare Workers-West, Stationary Engineers Local 39 Pension Trust Fund, and Stationary Engineers Local 39 Health & Welfare Trust Fund
bankruptcycourtnotices@unioncounsel.net, erich@unioncounsel.net, tmainguy@unioncounsel.net, cgray@unioncounsel.net

Hutchinson B. Meltzer on behalf of the Deputy Attorney General
hutchinson.meltzer@doj.ca.gov

Mary H. Rose
mrose@buchalter.com

Mark A. Neubauer
mneubauer@carltonfields.com

Abigail V. O'Brient
avobrient@mintz.com

Lori L. Purkey on behalf of Stryker Corporation, et al.
purkey@purkeyandassociates.com

Kyrsten B. Skogstad and Nicole J. Daro on behalf of California Nurses Association
kskogstad@calnurses.org, ndaro@calnurses.org

Jennifer Nassiri on behalf of Old Republic Insurance Company
jennifernassiri@quinnemanuel.com

Ralph J. Swanson
Ralph.swanson@berliner.com

Lori A. Butler, Melissa T. Ngo, Damarr M. Butler on behalf of Pension Benefit Guaranty Corporation
Butler.lori@pbgc.com
Ngo.melissa@pbgc.gov
Butler.damarr@pbgc.gov

Aaron Davis
Aaron.davis@bclplaw.com

John Ryan Yant, Donald R. Kirk on behalf of St. Vincent IPA Medical Corporation

Latonia Williams on behalf of AppleCare Medical Management, LLC, et al.
lwilliams@goodwin.com, bankruptcy@goodwin.com

Darryl S. Laddin on behalf of Sysco Los Angeles, Inc.
Darryl.laddin@agg.com, bkrfilings@agg.com

Craig G. Margulies
craig@marguliesfaithlaw.com, victoria@marguliesfaithlaw.com, helen@marguliesfaithlaw.com

Steven T. Gubner
sgubner@bg.law

Matthew S. Walker
Matthew.walker@pillsburylaw.com

Michael B. Reynolds
mreynolds@swlaw.com, kcollins@swlaw.com

Alicia Berry
Alicia.berry@doj.ca.gov

Kenneth K. Wang on behalf of California Department of Health Care Services
Kenneth.wang@doj.ca.gov

Richard A. Lapping on behalf of Retirement Plan for Hospital Employees
rich@trodellalapping.com

Mark A. Serlin on behalf of Rightsourcing, Inc.
ms@swllplaw.com, mor@swllplaw.com

Kevin H. Morse
Kevin.morse@saul.com

Paul J. Ricotta, Ian A. Hammel, and Daniel S. Bleck on behalf of UMB Bank, N.A., as Master Indenture Trustee and Wells Fargo Bank, National Association, as Indenture Trustee

Elan S. Levey
Elan.levey@usdoj.gov

Scott E. Blakeley
Seb@blakeleyllp.com, ecf@blakeleyllp.com

Aram Ordubegian, M. Douglas Flahaut, and Robert M. Hirsch on behalf of Medline Industries, Inc.
Aram.ordubegian@arentfox.com, douglas.flahaut@arentfox.com, Robert.hirsch@arentfox.com

Gary F. Torrell
gft@vrmlaw.com

Jason Wallach
jwallach@ghplaw.com

Jeffrey K. Garfinkle
jgarfinkle@buchalter.com, docket@buchalter.com, dcyrankowski@buchalter.com

Julie H. Rome-Banks on behalf of Bay Area Surgical Management, LLC
julie@bindermalter.com

Lawrence B. Gill
lgill@nelsonhardiman.com, rrange@nelsonhardiman.com

Marianne S. Mortimer on behalf of Premier, Inc.
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☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:
On September 19, 2018, I served the following persons and/or entities at the last known addresses in this bankruptcy case 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.

Claude D. Montgomery, Dentons US LLP, 1221 Avenue of the Americas, New York, NY 10020-1000

Sam J. Alberts, Dentons US LLP, 1900 K Street NW, Washington, DC 20006-1100

☐ 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 Hon. Ernest M. Robles ___, 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.

☐ 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.

September 19, 2018	Jason D. Strabo	/s/
Date	*Printed Name*	*Signature*

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IN THE UNITED STATES BANKRUPTCY COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

In re: **VERITY HEALTH SYSTEMS OF CALIFORNIA, INC.,** Debtor. , **v.** ,	CASE NO. 18-bk-20151-ER Chapter: 11 **ATTORNEY GENERAL'S LIMITED OBJECTION TO DEBTORS' EMERGENCY MOTIONS FOR INTERIM AND FINAL ORDERS (A) AUTHORIZING THE DEBTORS TO OBTAIN POST PETITION FINANCING, (B) AUTHORIZING DEBTORS TO USE CASH COLLATERAL, (C) GRANTING ADEQUATE PROTECTION TO PREPETITION SECURED CREDITORS PURSUANT TO 11 USC §§ 105, 363, 364, 1107, AND 1110; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF** Hearing: October 3, 2018 Time: 10:00 a.m. Courtroom: 1568 Judge: Ernest M. Robles

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Xavier Becerra, Attorney General of the State of California, (California Attorney General) submits this Limited Objection to Debtors' Emergency Motions for Interim and Final Orders on the grounds that the relief sought may seek to use restricted charitable funds as cash collateral and may be used by the Debtors as a shield for compliance with applicable non-bankruptcy laws which protect the public health, safety, and welfare of the people of California.[1]

Xavier Becerra is the duly elected Attorney General of the State of California and is the chief law officer of the State. Cal. Const., art. V, § 13. The California Attorney General has broad constitutional, common law and statutory powers under the state constitution to protect the public. California Constitution, art. V, §13; *D'Amico v. Board of Medical Examiners* (1974)11 Cal.3d 1, 14-15. The California Attorney General is charged with the supervision and regulation of nonprofit corporations and other charitable trusts in this state. Cal. Govt. Code, § 12598.

As part of the California Attorney General's supervisory and regulatory authority, any nonprofit corporation that is subject to the Nonprofit Public Benefit Corporation Law (Cal. Corp. Code, § 5110 et seq.) and operates or controls a health facility is required to provide written notice to, and to obtain the written consent of, the California Attorney General prior to entering into any agreement or transaction to sell a material amount of its assets to a for-profit corporation. Cal. Corp. Code, § 5914. The California Attorney General can consent, conditionally consent, or deny the proposed transaction or agreement. Cal. Corp. Code, §§ 5915, 5917.

In enacting Corporations Code section 5914, the California Legislature made findings and declarations:

> (c) *Charitable, nonprofit health facilities have a substantial and beneficial effect on the provision of health care to the people of California*, providing as part of their charitable mission uncompensated care to uninsured low-income families, and under-compensated care to the poor, elderly, and disabled. (d) *Transfers of the assets of nonprofit,*

[1] By filing this Limited Objection, the State of California does not waive its immunity under the Eleventh Amendment of the United States Constitution.

> *charitable health facilities to the for-profit sector, such as by sale, joint venture, or other sharing of assets, directly affect the charitable use of those assets and may affect the availability of community health care services*. Cal. Corp. Code, Ch. 9, Note, §1, Stats 1996 ch 1105, emphasis added.

Here, the California Attorney General protected the health, safety, and welfare of the communities served by the six health facilities owned and controlled by the Debtors by issuing conditions requiring essential health care services to be provided by the facilities including emergency services, minimum levels of charity care (free or discounted care), minimum levels of community benefits, participation in the Medi-Cal and Medicare programs, and seismic safety. Debtors accepted all of the conditions imposed by the Attorney General's Decision issued on December 3, 2015, and Debtors took possession and control over the health facilities.

The Attorney General's conditions make clear that they are legally binding on Daughters, Verity, the various hospital corporations, and any other subsidiary, parent, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of any of the hospitals, or the real property on which any of the hospitals is located, any and all current and future owners, lessees, licensees, or operators of any of the hospitals, and any and all current and future lessees and owners of the real property on which the hospitals are located. (Condition I of the Attorney General's December 3, 2015 Decision, attached as Exhibit A.) Despite Debtors bankruptcy filing, the California Attorney General retains broad authority to protect the public by enforcing these conditions.

Because the emergency relief sought by Debtors may seek to use restricted charitable funds as cash collateral and may be used by the Debtors as a shield for compliance with applicable non-bankruptcy laws which protect the public health, safety, and welfare of the people of California, this Court's orders on these motions

should require the Debtors to comply with the conditions and state charitable trust law.

STATEMENT OF RELEVANT FACTS

I. GENERAL BACKGROUND

1. In early 2014, the Daughters Board of Directors engaged an investment banking firm with experience in healthcare mergers and acquisitions to conduct a comprehensive offering of the health facilities that included five hospitals and a skilled nursing facility. Daughters' Board of Directors specified the following guiding principles for the proposed change of control: (a) protect the pensions of current employees, retired employees, and their beneficiaries; (b) repay major business partners, such as bondholders and vendors; (c) honor and assume the collective bargaining agreements held by the hospital corporations; and (d) obtain commitments to capital investments in the health facilities, and commitments to the continued provision of acute care services and indigent care, as well as to the continued participation in the Medi-Cal and Medicare programs, for the communities served by the health facilities. Seventy-two parties expressed interest and Daughters received 29 initial bids. By September 2014, Daughters had narrowed the field to four offers and chose Prime. However, Prime terminated the transaction agreement with Daughters before closing. Daughters hired the same investment banking firm and restarted the process. In April 2015, 14 bids were received. The Daughters Board of Directors narrowed the field to four offers and ultimately negotiated a System Restructuring and Support Agreement with BlueMountain.

2. In July 2015, Daughters entered into the System Restructuring and Support Agreement with BlueMountain. Included within the System Restructuring and Support Agreement were several supplemental agreements, including the Health System Management Agreement with Integrity.

3. On July 31, 2015, Daughters submitted written notice of the transaction to the

California Attorney General for review and approval. During the Attorney General's review of the transaction, a healthcare expert was retained to evaluate the potential impact of the transaction on the availability and accessibility of healthcare services to each of the communities served by the hospitals involved. The expert prepared five health care impact statements. These health care impact statements included interviews with medical staff, management, and employees, board members, and community representatives. These health care impact statements contained the expert's analysis of financial, utilization, and health care services, demographic characteristics, payer mix, hospital utilization records and trends, health status indicators, and hospital market share information in formulating an opinion regarding the potential impact of the transaction on the community. On December 3, 2015, the California Attorney General issued a decision to consent with conditions ("Decision") to the change in governance and control of Daughters of Charity Health System (now known as Verity Health Systems of California, Inc.) pursuant to the terms of the System Restructuring and Support Agreement entered into by and between Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System (collectively "Daughters"), Certain Funds Managed by BlueMountain Capital Management, LLC, a Delaware limited liability company ("BlueMountain"), and Integrity Healthcare, LLC, a Delaware limited liability company ("Integrity"). The Decision contained five sets of conditions, one for each of the hospitals. (The first 15 pages of each of the conditions is attached as Exhibit A.)

4. The December 3, 2015 Decision incorporated the recommendations of the healthcare expert. Several conditions were already contained within the System Restructuring and Support Agreement, but were further formalized in the Attorney General's Decision (i.e., charity care for five years using similar existing charity care policies, the hospital would continue to operate as general acute care hospitals with emergency services, continuation of participation in the Medi-Cal and

Medicare programs, continuation of staff privileges.) Moreover, the vast majority of the California Attorney General's conditions relate to the health, safety, and welfare of the people of California: continued operation as licensed general acute care hospitals, continued provision of 24-hour emergency and trauma medical services, continued provision of certain essential health care services including reproductive health services, continued participation in the Medi-Cal and Medicare programs for low income, disabled and elderly patients, continued provision of charity care and community benefits, and the continuation of governmental contracts that provide access to care for indigent patients.

5. As part of the transaction, Daughters was renamed Verity Health System of California, Inc. ("Verity").

6. On August 21, 2018, Verity notified the California Attorney General of its intent to terminate its Health System Management Agreement with Integrity and requested authorization to directly retain and employ the same Integrity executives to manage the hospitals.

7. Condition II of the Attorney General's Decision requires the approval of the Attorney General and 60 days' notice of the rescission of any of the agreements within the transaction. The proposed termination of the Health System Management Agreement is currently under review by the California Attorney General.

8. On August 31, 2018, Verity and its nonprofit subsidiaries (collectively, the "Debtors") each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code.

9. Also on August 31, 2018, Debtors filed an Emergency Motion of Debtors for Interim and Final Orders (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 ("Motion to Authorize Post Petition Financing").

10. Verity is a California nonprofit public benefit corporation, as are its affiliate hospitals and their supporting foundations, whose bankruptcy petitions are jointly administered. These nonprofit public benefit corporations hold charitable gifts and assets that are restricted for specific purposes, such as funding the cardiac catheterization lab capital, wound care services, surgical services, and other programs. (Declaration of Richard Adcock in Support of Emergency First Day Motions [Dkt No. 8], ¶¶ 33, 35, 38, 41, and 44.)

11. On September 13, 2018, representatives from the California Attorney General's Office contacted Debtors' counsel to discuss a stipulation with respect to the restricted assets, and in the discussion Debtors' counsel agreed with the concept of a stipulation. A letter was sent to Debtors' counsel on September 14, 2018 proposing the following language: "Debtors and the Attorney General agree that nothing in this order shall create or validate liens on or allow the use of any temporarily or permanently restricted assets held by Debtors for any purpose other than their restricted purpose. Further, Debtors and the Attorney General agree that the temporarily or permanently restricted assets held by Debtors are not property of the bankruptcy estate." However, as of the date of this opposition, Debtors' counsel has only indicated their preliminary disagreement with a carve out for temporarily restricted funds, but has yet to respond formally to the proposed stipulation; as such, no stipulation has been reached. On September 19, 2018, the Attorney General requested that Debtors provide a list of all restricted charitable funds held by Verity and each of its affiliates, the current amounts of each fund, and any documents concerning the restrictions for each fund (i.e., correspondence with donor, probate pleadings, wills or trusts, and board minutes).

12. At this time, the Attorney General does not have any other information, aside from the Adcock declaration, that may assist in the review of the temporarily and permanently restricted charitable funds.

13. Pursuant to the Court's Order Extending Time for Debtors to File Schedules of

Assets and Liabilities, Statements of Financial Affairs and Other Required Documents [Dkt No. 157] dated September 11, 2018, Debtors have until October 14, 2018 to file a schedule of assets and liabilities and other financial statements. Thus, the absence of the Debtors' schedules at this juncture, particularly those related to restricted funds, hinders the Attorney General's evaluation of the relief requested in the motions.

14. The California Attorney General filed an Initial Limited Objection to Debtor's Emergency First Day Motions. The Attorney General opposed Debtors' motions to the extent Debtors did not specify that restricted assets would not be used as cash collateral for any post-petition financing. The Attorney General requested that the Court include the following carve out language regarding restricted assets:

> Nothing in this order shall create or validate liens on or allow the use of any assets that are not assets of, or subject to being encumbered by, the debtors under applicable law. These assets may include, but are not limited to, restricted charitable funds.

The Attorney General also requested that the Court include language in its order to ensure that the conditions issued by the Attorney General in its December 3, 2015 Decisions remain in effect, to wit:

> Nothing in this order shall in any way diminish the obligation of any entity, including the debtors, to comply with applicable state law and conditions including, but not limited to, charitable trust laws and the conditions set forth in the California Attorney General's Decision dated December 3, 2015. Further, nothing in this order or the budget shall prevent the debtor from complying with any such obligations or conditions. [2]

15. At the hearing on the First Day Motions, including the Motion to Authorize to Post Petition Financing, the Court declined to adopt the language requested by the Attorney General, without prejudice.

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[2] Further, the order should clarify that any set-off or recoupment rights are not affected by the order.

ARGUMENT

II. DEBTORS HOLD ASSETS RESTRICTED FOR CHARITABLE PURPOSES

Debtors' cash collateral and debtor-in-possession financing motion (Dkt. No. 31) seek entry of final orders including provisions that inappropriately provide for liens on the charitable trust assets that are not subject to liens or other encumbrances.

Verity is a California nonprofit public benefit corporation, as are its affiliate hospitals and their supporting foundations, whose bankruptcy petitions are jointly administered. These nonprofit public benefit corporations hold charitable gifts and assets that are restricted for specific purposes, such as funding the cardiac catheterization lab capital, wound care services, surgical services, and other programs. (Declaration of Richard Adcock in Support of Emergency First Day Motions [Dkt No. 8], ¶¶ 33, 35, 38, 41, and 44.) According to the Adcock declaration, the restricted assets held by the Debtors total just under $10 million.[3]

The Uniform Supervision of Trustees for Charitable Purposes Act defines "Trustee" as "any corporation or unincorporated association which has accepted property to be used for a *particular charitable purpose* as distinguished from the general purposes of the corporation or unincorporated association." (Gov. Code, § 12582, subd. (b).) Business and Professions Code section 17510.8, further imposes a charitable trust on funds collected for charitable purposes and a fiduciary duty on the part of any person soliciting on behalf of a charity to use charitable contributions for the declared charitable purposes for which they are sought.[4] (see also *Holt v. College of Osteopathic Physicians and Surgeons* (1964) 61 Cal.2d 750,

[3] The Attorney General has not had an opportunity to review the underlying gift restrictions. As such, temporarily restricted assets and permanently restricted assets are both included in the calculation.

[4] Bus. & Prof. Code, § 17510.8 states in pertinent part: "The acceptance of charitable contributions by a charity or any person soliciting on behalf of a charity establishes a charitable trust and a duty on the part of the charity and the person soliciting on behalf of the charity to use those charitable contributions for the declared charitable purposes for which they are sought."

754.["although the public in general may benefit from any number of charitable purposes, charitable contributions must be used only for the purposes for which they were received in trust."]

Restrictions related to the use of funds can be based on donor-restrictions, or can be based upon the specific language used by charitable entities in solicitation campaigns. For instance, if a hospital foundation holds a fundraiser to support the oncology department– then donations received in support of the fundraiser are restricted for that specific purpose. These restricted gifts and assets are not to be used for any other purposes than their restricted purpose and should not be available to the DIP lender or to creditors unless specifically authorized in the restriction.

While the Attorney General has sought a stipulation with Debtors' counsel that these temporarily and permanently restricted funds are not the property of the bankruptcy estate, no agreement has been reached. The Attorney General has also requested documentation pertaining to the restricted funds. Because the Attorney General has not had an opportunity to review any of the restrictions and Debtors have not moved for the reduction or elimination of any of the restrictions, the Attorney General reserves the right to identify additional restricted assets once Debtors have filed their Statements of Assets and Liabilities, and other financial documents have been provided for review.

A. California Law Determines the Property of the Bankruptcy Estate

California law determines whether restricted donations or property held in trust are property of the bankruptcy estate. *In re Save Our Springs (S.O.S.) Alliance, Inc*. citing *Barnhill v. Johnson*, 503 U.S. 393, 398 (1991); *Butner v. U.S.*, 440 U.S. 48, 54 (1979) ["Congress has generally left the determination of property rights in the assets of a bankrupt's estate to state law"]; *Gaughan v. Edward Dittlof Revocable Trust (In Re Costas)*, 555 F.3d. 790, 793 (9th Cir. 2009) [unless some

federal interest requires a different result, the determination of property rights in the bankruptcy assets is left to state law].

Similarly, an Oregon bankruptcy court held the principal portion of an endowed fund was not part of the bankruptcy estate, finding that the debtor held legal but not equitable title to the funds under Title 11 U.S.C. section 541(d). *In Re Roman Catholic Archbishop of Portland in Oregon*, 345 B.R. 686, 705 (Bkrtcy. Or. 2006.). However, the same Oregon bankruptcy court also held the charity's income portion of the endowed fund is part of the bankruptcy estate. The court held that "[T]he bankruptcy estate takes whatever interests a debtor has in property as of the petition date, subject to the same limitations and restrictions on the use of the property that existed prepetition. (*Id*.)

These restricted funds held by Debtor and its affiliate hospitals and foundations are held in a charitable trust, must be used for the restricted purposes, are not subject to liens or other encumbrances, are not available to cover operating expenses or other activities of the nonprofit corporation, and are not available for distribution to the general creditors, nor are they available to serve as cash collateral.

As such, the Attorney General requests the following language be included in the court's order to address the limitations under applicable non bankruptcy law regarding restricted assets:

> Nothing in this order shall create or validate liens on or allow the use of any temporarily or permanently restricted assets held by Debtors for any purpose other than their restricted purpose. These temporarily and permanently restricted assets are not property of the bankruptcy estate.

B. Federal Law is Consistent with California Law Regarding Restricted Charitable Assets

Restricted donations to nonprofit corporations have been held not to be property of the bankruptcy estate and therefore were not available for distribution to the general creditors. *In re Save Our Springs (S.O.S.) Alliance, Inc.*, 388 B.R. 202, 247-249 (Bkrtcy. W.D. Tex. 2008); *In re Parkview Hospital*, 211 B.R. 619, 634

(Bankr. N.D. Ohio 1997) [when a fund is held out as being "restricted," and only the income generated from the principal could be utilized, this shows that the intent was mandatory]. These rulings are consistent with the Bankruptcy Code, which provides:

> Notwithstanding any other provision of this title, property that is held by a debtor that is a corporation described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code may be transferred to an entity that is not such a corporation, but only under the same conditions as would apply if the debtor had not filed a case under this title. 11 U.S.C. § 541(f) (2016).

Here, the federal law is consistent with California law. Thus, the analysis of the Supreme Court in *Butner v. U.S.* is controlling. *Butner v. U.S.*, 440 U.S. 48, 54 (1979).

III. CARVE-OUT FOR COMPLIANCE WITH THE CALIFORNIA ATTORNEY GENERAL'S CONDITIONS

Debtor's cash collateral and debtor-in-possession financing motion (Dkt. No. 31) seeks entry of final orders that may also prevent the Debtors from complying with the California Attorney General's conditions and enforcement of charitable trust law. Debtors are required by statute to operate its property, as a debtor-in-possession, in compliance with applicable state law.

Federal law is absolutely clear on this point. 28 U.S.C. § 959(b) provides, in pertinent part, that:

> "a trustee . . . (or) a debtor in possession shall manage and operate the property in his possession . . . according to the requirements of the valid laws of the State in which such property is situated. . .."

As such, the California Attorney General asks that any cash collateral and debtor-in-possession financing orders include a carve out compliance with the California Attorney General's conditions and proposes the following language:

> Nothing in this order shall in any way diminish the obligation of any entity, including the debtors, to comply with applicable state law and conditions including, but not limited to, charitable trust laws and the conditions set forth in the California Attorney General's Decision

dated December 3, 2015. Further, nothing in this order or the budget shall prevent the debtors from complying with any such obligations or conditions. [5]

Dated: September 19, 2018

Respectfully submitted,

XAVIER BECERRA
Attorney General of California
JAMES M. TOMA
Supervising Deputy Attorney General

/s/ Alicia Berry
ALICIA BERRY
Deputy Attorney General
Attorneys for Charitable Trusts

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[5] Further, the order should clarify that any set-off or recoupment rights are not affected by the order.

Conditions to Change in Control and Governance of St. Francis Medical Center[1] and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC[2], and Integrity Healthcare, LLC

I.

These Conditions shall be legally binding on Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, Saint Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center of Lynwood Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, Verity Business Services, a California nonprofit public benefit corporation, DCHS Medical Foundation, a California nonprofit religious corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San

[1] Throughout this document, the term "St. Francis Medical Center" shall mean the general acute care hospital located at 3630 East Imperial Highway, Lynwood, CA 90262, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Francis Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

[2] The term "Certain Funds Managed by BlueMountain Capital Management, LLC" shall mean the following: BlueMountain Guadalupe Peak Fund, L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Summit Opportunities Fund II (US) L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BMSB L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Foinaven Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Logan Opportunities Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, and BlueMountain Montenvers Master Fund SCA SICAV-SIF, a Luxembourg corporate partnership limited by shares, by BlueMountain Capital Management, LLC, its investment manager.

Jose Dialysis, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, the above-listed entities whose corporate status will be changed from a California nonprofit religious corporation to a California nonprofit public benefit corporation, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

These Conditions shall be legally binding on the following entities, as defined in Operating Asset Purchase Option Agreement, Operating Asset Purchase Agreement, Real Estate Purchase Option Agreement, and the Real Estate Purchase Agreement, when the closing occurs on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement: the Option Holders, Purchaser and its Affiliates, "OpCo" a Delaware limited liability company, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, and "PropCo" a Delaware limited liability company that will elect to be treated for tax purposes as a real estate investment trust, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, Integrity Healthcare, LLC, a Delaware limited liability company, Integrity Healthcare Blocker, LLC, a Delaware limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, managing member, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

II.

The transaction approved by the Attorney General consists of the System Restructuring and Support Agreement dated July 17, 2015, Amendment No. 1 to System Restructuring and Support Agreement, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the System Restructuring and Support Agreement and Amendment No. 1 to System Restructuring and Support Agreement including, but not limited to:

a. Transitional Consulting Services Agreement dated July 17, 2015;
b. Health System Management Agreement with Integrity Healthcare, LLC;
c. Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC;
d. Operating Asset Purchase Option Agreement;
e. Operating Asset Purchase Agreement;

f. Real Estate Purchase Option Agreement;
g. Real Estate Purchase Agreement;
f. Information Technology Lease Agreement; and
g. Deposit Escrow Agreement dated July 17, 2015.

All the entities listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

III.

For fifteen years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center, and all future owners, managers, lessees, licensees, or operators of St. Francis Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Francis Medical Center;

(b) Transfer control, responsibility, management, or governance of St. Francis Medical Center. The substitution or addition of a new corporate member or members of St. Francis Medical Center or Verity Health System of California, Inc. that transfers the control of, responsibility for or governance of St. Francis Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of St. Francis Medical Center or Verity Health System of California, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of St. Francis Medical Center or Verity Health System of California, Inc., shall also be deemed a transfer for purposes of this Condition.

IV.

For ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current[3] licensure and designation with the same types and/or levels of services, including the following:

a. 46 emergency treatment stations at a minimum;
b. Designation as a Level II Trauma Center and operating a Level II Trauma Center that complies with all requirements under California laws and regulations and Los Angeles County Emergency Medical Services Agency Prehospital Care Policies and Procedures;
c. Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, section 5150, for behavioral health patients under involuntary evaluation, and operating such a receiving facility that complies with all requirements under Welfare and Institutions Code, section 5150 and other California laws and regulations;
d. Psychiatric evaluation team;
e. Designation as an Emergency Department Approved for Pediatrics;
f. Designation as a Paramedic Base Station, with the same number of assigned paramedic units that currently exists; and
g. The annual maximum number of hours on diversion is 200 hours.

St. Francis Medical Center must give one-year advance written notice to the Los Angeles County Emergency Medical Services Agency and the California Department of Public Health if St. Francis Medical Center seeks to reduce trauma or trauma-related care services or stop operating the Level II Trauma Center after ten years from the closing date of the System Restructuring and Support Agreement.

V.

For at least ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall maintain on-call coverage contracts and/or comparable coverage arrangements with physicians at fair market value that are necessary to ensure trauma coverage, including the following specialty services:

a. General surgery;
b. Trauma surgery;
c. Neuro-trauma surgery;
d. Obstetrical/gynecological surgery;
e. Orthopedic surgery;
f. Trauma orthopedic surgery;

[3] The term “current” or “currently” throughout this document means as of January 1, 2014.

g. Vascular surgery;
h. Cardiothoracic surgery;
i. Plastic surgery;
j. Ophthalmology;
k. Otolaryngology;
l. Anesthesia; and
m. Urology.

VI.

For at least ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall maintain, provide, and expand the following services at current licensure, types, and/or levels of services:

a. Cardiac services, including at a minimum, three cardiac catheterization labs and the designation as a STEMI Receiving Center;
b. Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care unit beds and 12 System Restructuring and Support observation beds;
c. Advanced certification as a Primary Stroke Center;
d. Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II Neonatal Intensive Care Unit;
e. Women's health services, including women's imaging services;
f. Cancer services, including radiation oncology;
g. Pediatric services, including a minimum of 14 pediatric beds;
h. Orthopedic and rehabilitation services;
i. Wound care and hyperbaric medicine services;
j. Reproductive health services and expand such services to include those prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops;
k. Inpatient psychiatric services, including a minimum of 40 inpatient acute psychiatric beds; and
l. Obstetric services, including a minimum of 50 obstetrics beds.

St. Francis Medical Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

VII.

For five years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall either: (1) operate the 1206(d) clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures (e.g., 1206(l) Medical Foundation), or (2) sell the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents in the and require the purchaser(s) to maintain such services for 5 years from the closing date of the

System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VIII, or (3) ensure that a third party is operating the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VIII. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic's current location, and St. Francis Medical Center can utilize an alternative structure (e.g., Federally Qualified Health Center, physician office practice) in providing such services. The following 1206 (d) clinics are subject to this condition:

a. Lynwood Clinic – Family Practice and Pediatrics, located at 3628 E. Imperial Highway, #303 in Lynwood;
b. Downey Clinic – Family Practice and Pediatrics, located at 7840 Imperial Highway, Unit B, in Downey; and
c. Orthopedics Clinic, located at 3628 E. Imperial Highway, #300, in Lynwood.

VIII.

For ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall:

a) Be certified to participate in the Medi-Cal program;

b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause:

i) Local Initiative: LA Care Health Plan or its successor; and
ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If St. Francis Medical Center questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

IX.

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall provide an annual amount of Charity Care (as defined below) at St. Francis Medical Center equal to or greater than $16,646,323 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by St. Francis Medical Center in connection with the operation and provision of services at St. Francis Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.[4] St. Francis Medical Center shall use and maintain a charity care policy that is no less favorable than St. Francis Medical Center's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at St. Francis Medical Center shall be decided by the St. Francis Medical Center Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XII.

St. Francis Medical Center's obligation under this Condition shall be prorated on a daily basis if the closing date of the System Restructuring and Support Agreement is a date other than the first day of St. Francis Medical Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

While the Health System Management Agreement with Integrity Healthcare, LLC is in effect, if the actual amount of charity care provided at St. Francis Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Francis Medical Center shall pay an amount equal to the deficiency as follows: 50% of the deficiency payment as a contribution to the Daughters of Charity Health System Retirement Plan (Defined Benefit Church Plan), as defined in the System Restructuring and Support Agreement, in addition to the contributions that are required by the amortization schedule and premium payments required under Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 (as amended), as set forth in section 7.3 in the System Restructuring and Support Agreement until the Defined Benefit Church Plan is fully funded, and 50% of the deficiency payment for capital expenditures as set forth in section 7.7 of the System Restructuring and Support Agreement for repairing and/or upgrading the hospital buildings and equipment including, but not limited to, seismic

[4] OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

compliance as required in Condition XVI. Such payments shall be made within four months following the end of such fiscal year.

After the closing date on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, if the actual amount of charity care provided at St. Francis Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Francis Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct health care services to residents in St. Francis Medical Center's service area (30 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

The 2010 Federal Affordable Care Act may cause a reduction in future needs of charity care. Because of the impact of the Medi-Cal expansion in California and other effects from the 2010 Federal Affordable Care Act, the California Attorney General will consider adjusting the Minimum Charity Care Amount based on financial data submitted to OSHPD from time periods after implementation of the 2010 Federal Affordable Care Act. Any actual reduction will be considered "unforeseen" for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h). Once St. Francis Medical Center submits its Annual Financial Disclosure Report to OSHPD for Fiscal Year 7/1/2015 to 6/30/2016, it may seek a request for an amendment of the Minimum Charity Care Amount beginning for Fiscal Year 7/1/2016 to 6/30/2017. The Attorney General's Decision on such a request will be issued within 90 days of the submission of all of the information required in Title 11, California Code of Regulations, section 999.5, subdivision (h)(2) and all the information requested by the Attorney General's Office.

X.

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall provide an annual amount of Community Benefit Services at St. Francis Medical Center equal to or greater than $1,362,680 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For eleven fiscal years, the following community benefit programs and services shall continue to be offered:

a. Health Benefits Resource Center;
b. Welcome Baby Program;
c. Healthy Community Initiatives;
d. St. Francis Career College's access for onsite training;
e. Paramedic Training and Education; and
f. Patient Transportation support.

The planning of, and any subsequent changes to, the community benefit services provided at St. Francis Medical Center shall be decided upon by the St. Francis Medical Center's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XII.

St. Francis Medical Center's obligation under this Condition shall be prorated on a daily basis if the effective date of the System Restructuring and Support Agreement is a date other than the first day of St. Francis Medical Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Francis Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Francis Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Francis Medical Center's service area (30 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

XI.

For at least ten years from the closing date of the System Restructuring and Support Agreement unless otherwise indicated, St. Francis Medical Center shall maintain its contracts and any amendments and exhibits thereto with the County of Los Angeles for services, including the following:

a. Radiation Therapy Services Agreement;
b. Impacted Hospital Program Agreement until terminated by Los Angeles County in June 2016;
c. Department of Mental Health Legal Entity Agreement;
d. Mental Health Services Agreement Contract Allowable Rate-Fee for Service Medi-Cal Acute Psychiatric Inpatient Services;
e. EDAP Confirmation Agreement;
f. Designation Agreement (72-Hours Evaluation and Intensive Treatment Facility);
g. Paramedic Base Hospital Services Agreement;
h. Trauma Center Services Agreement;
i. Trauma Center Services Augmentation Agreement until terminated by Los Angeles County in December 2015;
j. Nursing Affiliation Agreement; and
k. Hospital Preparedness Program Agreement.

For at least ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents

related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Francis Medical Center. The goal is to ensure that St. Francis Medical Center's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

XII.

For ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall have a Local Governing Board of Directors. St. Francis Medical Center's Board of Directors shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at St. Francis Medical Center. The members of the Local Governing Board shall include physicians from St. Francis Medical Center's medical staff, St. Francis Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Francis Medical Center's primary service area (30 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

XIII.

Verity Health System of California, Inc. shall reserve or expend the $180 million capital commitment set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2.

XIV.

Verity Health System of California, Inc. shall comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement. Section 7.3 of the System Restructuring and Support Agreement should be amended to include the following language:

> (f) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.3 against Verity Health System of California, Inc.

XV.

St. Francis Medical Center shall maintain privileges for current medical staff who are in good standing as of the closing date of the System Restructuring and Support Agreement. Further, the closing of the System Restructuring and Support Agreement shall not change the medical staff officers, committee chairs, or independence of the St. Francis Medical Center's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

XVI.

Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Francis Medical Center through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

XVII.

Within sixty days of the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center's Board of Trustees shall replace Article of IV, Section 3, subsection (a) of its Amended and Restated Bylaws Template (attached hereto as Exhibit 3) with the following language:

(a) Number and Composition. The Board of Trustees shall generally consist of not less than five (5) nor more than seventeen (17) members, including:

i) no more than 50 percent shall be members who are in good standing on the Board of Directors of Verity Health System of California, Inc.;

ii) at least one-third shall be residents of Los Angeles County; and

iii) no members shall have either directly or indirectly, personally or through a family member have any financial relationship with BlueMountain Capital Management, LLC or any of its owned or managed affiliates or Integrity Healthcare, LLC, and may not serve as an officer, director, contractor or employee of BlueMountain Capital Management, LLC or any of its owned or managed affiliates, or Integrity Healthcare, LLC, any managed fund, or entity in which BlueMountain Capital Management, LLC has an equity stake or option to purchase, except for public companies wherein BlueMountain Capital Management, LLC has an interest of less than 10%.

St. Francis Medical Center's Board of Trustees shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 4) and Amended and Restated Bylaws within 90 days from the closing date of the System Restructuring and Support Agreement requiring these provisions and any further changes to these documents must be approved by the Attorney General.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Verity Health System of California, Inc. shall adopt the same Conflict of Interest Policy currently used by Daughters of Charity Health System and its affiliates (attached hereto as Exhibit 5) except that all references to the "Corporation" in the Conflict of Interest Policy shall be amended to "Corporation, or BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC" and a portion of its "Financial Interest" definition section on page 2 shall be amended to state as follows:

4. **Financial Interest**: A Director or Family member has, directly or indirectly, a current or potential

- Ownership or investment interest in; or
- Compensation arrangement with; or
- Other economic interest in <u>any of the following</u>:

  i. The Corporation; or
  ii. BlueMountain Capital Management, LLC and or any of its owned or managed affiliates and Integrity Healthcare, LLC; or
  iii. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC has a transaction or arrangement; or
  iv. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC is negotiating a transaction or arrangement; or
  v. Any entity or individual that competes with the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC.

Verity Health System of California, Inc. Board of Trustees shall provide a copy of its Conflict of Interest Policy within 90 days from the closing date of the System Restructuring and Support Agreement requiring this amendment and any further changes to this document must be approved by the Attorney General.

Verity Health System of California, Inc. shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 6) and the Amended and Restated Bylaws (as set forth in the attached hereto Amended and Restated Bylaws Template as Exhibit 7) within 90 days from the closing date of the System Restructuring and Support Agreement and any further changes to these documents must be approved by the Attorney General.

If either the Verity Health System of California, Inc.'s Board of Directors or St. Francis Medical Center's Board of Trustees provides board compensation to its members other than reimbursement for travel to and from board/trustees' meetings, it is required to obtain an fair

market valuation for payment of such compensation for similarly-situated board of directors/trustees in the United States every two years.

XVIII.

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at St. Francis Medical Center, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at St. Francis Medical Center. Both of these must be explicitly set forth in St. Francis Medical Center's written policies, adhered to, and strictly enforced.

XIX.

At least thirty days prior to the closing of the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, St. Francis Medical Center Foundation shall provide to the Attorney General's Office an accounting of all charitable assets. Within 5 days of the Attorney General's approval, St. Francis Medical Center Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

a) The funds from St. Francis Medical Center Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's St. Francis Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of St. Francis Medical Center's service area (30 ZIP codes), as described on page 65 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated October 2, 2015. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from St. Francis Medical Center Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XX.

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of St. Francis Medical Center and the Chief Executive Officer at St. Francis Medical Center shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the St. Francis Medical Center's Board of Directors and the Local Governing Board.

XXI.

At the request of the Attorney General, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XXII.

Once the System Restructuring and Support Agreement is closed, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

Conditions to Change in Control and Governance of St. Vincent Medical Center[1] and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC[2], and Integrity Healthcare, LLC

I.

These Conditions shall be legally binding on Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, Saint Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center of Lynwood Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, Verity Business Services, a California nonprofit public benefit corporation, DCHS Medical Foundation, a California nonprofit religious corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San

[1] Throughout this document, the term "St. Vincent Medical Center" shall mean the general acute care hospital located at 2131 West Third Street, Los Angeles, CA 90057, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Vincent Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

[2] The term "Certain Funds Managed by BlueMountain Capital Management, LLC" shall mean the following: BlueMountain Guadalupe Peak Fund, L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Summit Opportunities Fund II (US) L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BMSB L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Foinaven Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Logan Opportunities Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, and BlueMountain Montenvers Master Fund SCA SICAV-SIF, a Luxembourg corporate partnership limited by shares, by BlueMountain Capital Management, LLC, its investment manager.

Jose Dialysis, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, the above-listed entities whose corporate status will be changed from a California nonprofit religious corporation to a California nonprofit public benefit corporation, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Vincent Medical Center, or the real property on which St. Vincent Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Vincent Medical Center, and any and all current and future lessees and owners of the real property on which St. Vincent Medical Center is located.

These Conditions shall be legally binding on the following entities, as defined in Operating Asset Purchase Option Agreement, Operating Asset Purchase Agreement, Real Estate Purchase Option Agreement, and the Real Estate Purchase Agreement, when the closing occurs on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement: the Option Holders, Purchaser and its Affiliates, "OpCo" a Delaware limited liability company, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, and "PropCo" a Delaware limited liability company that will elect to be treated for tax purposes as a real estate investment trust, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, Integrity Healthcare, LLC, a Delaware limited liability company, Integrity Healthcare Blocker, LLC, a Delaware limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, managing member, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Vincent Medical Center, or the real property on which St. Vincent Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Vincent Medical Center, and any and all current and future lessees and owners of the real property on which St. Vincent Medical Center is located.

II.

The transaction approved by the Attorney General consists of the System Restructuring and Support Agreement dated July 17, 2015, Amendment No. 1 to System Restructuring and Support Agreement, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the System Restructuring and Support Agreement and Amendment No. 1 to System Restructuring and Support Agreement including, but not limited to:

a. Transitional Consulting Services Agreement dated July 17, 2015;
b. Health System Management Agreement with Integrity Healthcare, LLC;
c. Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC;
d. Operating Asset Purchase Option Agreement;
e. Operating Asset Purchase Agreement;

f. Real Estate Purchase Option Agreement;
g. Real Estate Purchase Agreement;
f. Information Technology Lease Agreement; and
g. Deposit Escrow Agreement dated July 17, 2015.

All the entities listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

III.

For fifteen years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center, and all future owners, managers, lessees, licensees, or operators of St. Vincent Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Vincent Medical Center;

(b) Transfer control, responsibility, management, or governance of St. Vincent Medical Center. The substitution or addition of a new corporate member or members of St. Vincent Medical Center or Verity Health System of California, Inc. that transfers the control of, responsibility for or governance of St. Vincent Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of St. Vincent Medical Center or Verity Health System of California, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of St. Vincent Medical Center or Verity Health System of California, Inc., shall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the System Restructuring and Support Agreement unless otherwise stated, St. Vincent Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide the following health care services at current[3] licensure, types, and/or levels of services:

a. Twenty-four hour emergency medical services, including a minimum of 8 emergency beds/stations and 6 Fast Track treatment stations, and the requirements set by the County of Los Angeles Emergency Medical Services for 911 Receiving Hospitals;
b. Acute rehabilitation services, including a minimum of 19 licensed acute rehabilitation beds;
c. Intensive care/critical care services, including a minimum of 30 licensed intensive care beds;
d. Cardiac services, including cardiac surgery and a minimum of 4 cardiac catheterization labs;
e. Cancer services, including radiation therapy;
f. Gastroenterology services;
g. Imaging and laboratory services;
h. Nephrology services, including end stage renal disease program, acute inpatient dialysis unit, and hemodialysis treatments;
i. Neurology and neurotology services, including neurosurgery;
j. Orthopedics, joint replacement, and spine care services;
k. Transplant services, including kidney and multi-organ transplant procedures for kidney/pancreas double transplants; and
l. Outpatient dialysis services within 5 miles of St. Vincent Medical Center by either (1) operating St. Vincent Dialysis Center, or (2) transferring St. Vincent Dialysis Center to a separate entity and requiring that entity to operate it for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VII, or (3) ensuring that a third party is operating an outpatient dialysis center(s) at current levels for 5 years from the closing date of the System Restructuring and Support Agreement and that such center(s) participate in the Medi-Cal and Medicare programs as required in Condition VII.

St. Vincent Medical Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

[3] The term "current" or "currently" throughout this document means as of January 1, 2015.

V.

If St. Vincent Medical Center provides obstetrical services within five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall also provide reproductive health services including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

VI.

For five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall either: (1) operate the 1206(d) clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures (e.g., 1206(l) Medical Foundation), or (2) sell the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents in the and require the purchaser(s) to maintain such services for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VII, or (3) ensure that a third party is operating the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VII. For any of these options, each clinic can be moved to a different location within a two-mile radius of each clinic's current location, and St. Vincent Medical Center can utilize an alternative structure (e.g., Federally Qualified Health Center, physician office practice) in providing such services. The following 1206 (d) clinics are subject to this condition:

a. Joint Replacement Institute, located at 2200 West 3rd Street in Los Angeles;
b. Multi-Organ Transplant Center, located at 2200 West 3rd Street in Los Angeles;
c. Spine Institute, located at 2200 West 3rd Street in Los Angeles;
d. Cancer Treatment Center, located at 201 S. Alvarado Street in Los Angeles; and
e. Cardiac Care Institute, located at 201 S. Alvarado Street in Los Angeles.

VII.

For five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall:

a) Be certified to participate in the Medi-Cal program;

b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Vincent Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly-situated hospitals offering substantially the same services, without any loss,

interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause:

i) Local Initiative Plan: LA Care Health Plan or its successor; and
ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If St. Vincent Medical Center questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Vincent Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

VIII.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall provide an annual amount of Charity Care (as defined below) at St. Vincent Medical Center equal to or greater than $407,513 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by St. Vincent Medical Center in connection with the operation and provision of services at St. Vincent Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.[4] St. Vincent Medical Center shall use and maintain a charity care policy that is no less favorable than St. Vincent Medical Center's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at St. Vincent Medical Center shall be decided by the St. Vincent Medical Center Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

St. Vincent Medical Center's obligation under this Condition shall be prorated on a daily basis if the closing date of the System Restructuring and Support Agreement is a date other than the first day of St. Vincent Medical Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any,

[4] OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

While the Health System Management Agreement with Integrity Healthcare, LLC is in effect, if the actual amount of charity care provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Vincent Medical Center shall pay an amount equal to the deficiency as follows: 50% of the deficiency payment as a contribution to the Daughters of Charity Health System Retirement Plan (Defined Benefit Church Plan), as defined in the System Restructuring and Support Agreement, in addition to the contributions that are required by the amortization schedule and premium payments required under Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 (as amended), as set forth in section 7.3 in the System Restructuring and Support Agreement until the Defined Benefit Church Plan is fully funded, and 50% of the deficiency payment for capital expenditures as set forth in section 7.7 of the System Restructuring and Support Agreement for repairing and/or upgrading the hospital buildings and equipment including, but not limited to, seismic compliance as required in Condition XV. Such payments shall be made within four months following the end of such fiscal year.

After the closing date on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, if the actual amount of charity care provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Vincent Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct health care services to residents in St. Vincent Medical Center's primary service area (17 ZIP codes), as defined on page 62 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

The 2010 Federal Affordable Care Act may cause a reduction in future needs of charity care. Because of the impact of the Medi-Cal expansion in California and other effects from the 2010 Federal Affordable Care Act, the California Attorney General will consider adjusting the Minimum Charity Care Amount based on financial data submitted to OSHPD from time periods after implementation of the 2010 Federal Affordable Care Act. Any actual reduction will be considered "unforeseen" for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h). Once St. Vincent Medical Center submits its Annual Financial Disclosure Report to OSHPD for Fiscal Year 7/1/2015 to 6/30/2016, it may seek a request for an amendment of the Minimum Charity Care Amount beginning for Fiscal Year 7/1/2016 to 6/30/2017. The Attorney General's Decision on such a request will be issued within 90 days of the submission of all of the information required in Title 11, California Code of Regulations, section 999.5, subdivision (h)(2) and all the information requested by the Attorney General's Office.

IX.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall provide an annual amount of Community Benefit Services at St. Vincent Medical Center equal to or greater than $1,018,762 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered:

a) Health Benefits Resource Center or similar services; and
b) Asian Pacific Liver Center.

The planning of, and any subsequent changes to, the community benefit services provided at St. Vincent Medical Center shall be decided upon by the St. Vincent Medical Center's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

St. Vincent Medical Center's obligation under this Condition shall be prorated on a daily basis if the effective date of the System Restructuring and Support Agreement is a date other than the first day of St. Vincent Medical Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Vincent Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Vincent Medical Center's primary service area (17 ZIP codes), as defined on page 62 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

X.

For at least five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall maintain its contracts and any amendments and exhibits thereto with the County of Los Angeles for services, including the following:

a. Hospital Preparedness Program Agreement;
b. Radiation Therapy Services Agreement; and
c. Physician Post Graduate Training Agreement.

For at least five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Vincent Medical Center. The goal is to ensure that St. Vincent Medical Center's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

XI.

For five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall have a Local Governing Board of Directors. St. Vincent Medical Center's Board of Directors shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.7 of the Definitive Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at St. Vincent Medical Center. The members of the Local Governing Board shall include physicians from St. Vincent Medical Center's medical staff, St. Vincent Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Vincent Medical Center's primary service area (17 ZIP codes), as defined on page 62 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

XII.

Verity Health System of California, Inc. shall reserve or expend the $180 million capital commitment set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2.

XIII.

Verity Health System of California, Inc. shall comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement. Section 7.3 of the System Restructuring and Support Agreement should be amended to include the following language:

> (f) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.3 against Verity Health System of California, Inc.

XIV.

St. Vincent Medical Center shall maintain privileges for current medical staff who are in good standing as of the closing date of the System Restructuring and Support Agreement. Further, the closing of the System Restructuring and Support Agreement shall not change the medical staff officers, committee chairs, or independence of the St. Vincent Medical Center's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

XV.

Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Vincent Medical Center through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

Verity Health System of California, Inc. shall commit the necessary capital investment required to refurbish St. Vincent Medical Center's elevators in order to meet the City of Los Angeles' Elevator Code.

XVI.

Within sixty days of the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center's Board of Trustees shall replace Article of IV, Section 3, subsection (a) of its Amended and Restated Bylaws Template (attached hereto as Exhibit 3) with the following language:

(a) Number and Composition. The Board of Trustees shall generally consist of not less than five (5) nor more than seventeen (17) members, including:

i) no more than 50 percent shall be members who are in good standing on the Board of Directors of Verity Health System of California, Inc.;

ii) at least one-third shall be residents of Los Angeles County; and

iii) no members shall have either directly or indirectly, personally or through a family member have any financial relationship with BlueMountain Capital Management, LLC or any of its owned or managed affiliates or Integrity Healthcare, LLC, and may not serve as an officer, director, contractor or employee of BlueMountain Capital Management, LLC or any of its owned or managed affiliates, or Integrity Healthcare, LLC, any managed fund, or entity in which BlueMountain Capital Management, LLC has an equity stake or option to purchase, except for public companies wherein BlueMountain Capital Management, LLC has an interest of less than 10%.

St. Vincent Medical Center's Board of Trustees shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 4) and Amended and Restated Bylaws within 90 days from the closing date of the System Restructuring and Support Agreement requiring these provisions and any further changes to these documents must be approved by the Attorney General.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Verity Health System of California, Inc. shall adopt the same Conflict of Interest Policy currently used by Daughters of Charity Health System and its affiliates (attached hereto as Exhibit 5) except that all references to the "Corporation" in the Conflict of Interest Policy shall be amended to "Corporation or BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC" and a portion of its "Financial Interest" definition section on page 2 shall be amended to state as follows:

4. **Financial Interest**: A Director or Family member has, directly or indirectly, a current or potential

- Ownership or investment interest in; or
- Compensation arrangement with; or
- Other economic interest in <u>any of the following</u>:

  i. The Corporation; or
  ii. BlueMountain Capital Management, LLC and or any of its owned or managed affiliates and Integrity Healthcare, LLC; or
  iii. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC has a transaction or arrangement; or
  iv. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC is negotiating a transaction or arrangement; or
  v. Any entity or individual that competes with the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC.

Verity Health System of California, Inc. Board of Trustees shall provide a copy of its Conflict of Interest Policy within 90 days from the closing date of the System Restructuring and Support Agreement requiring this amendment and any further changes to this document must be approved by the Attorney General.

Verity Health System of California, Inc. shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 6) and the Amended and Restated Bylaws (as set forth in the attached hereto Amended and Restated Bylaws Template as Exhibit 7) within 90 days from the closing date of the System

Restructuring and Support Agreement and any further changes to these documents must be approved by the Attorney General.

If either the Verity Health System of California, Inc.'s Board of Directors or St. Vincent Medical Center's Board of Trustees provides board compensation to its members other than reimbursement for travel to and from board/trustees' meetings, it is required to obtain an fair market valuation for payment of such compensation for similarly-situated board of directors/trustees in the United States every two years.

XVII.

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at St. Vincent Medical Center, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at St. Vincent Medical Center. Both of these must be explicitly set forth in St. Vincent Medical Center's written policies, adhered to, and strictly enforced.

XVIII.

At least thirty days prior to the closing of the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, St. Vincent Foundation and St. Vincent Medical Center shall provide to the Attorney General's Office an accounting of all charitable assets. Within 5 days of the Attorney General's approval, St. Vincent Foundation and St. Vincent Medical Center shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

a) The funds from St. Vincent Medical Center and St. Vincent Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's St. Vincent Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of St. Vincent Medical Center's primary service area (17 ZIP codes) and secondary service area (17 ZIP Codes), as described on page 62 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated December 24, 2014. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from St. Vincent Medical Center or St. Vincent Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community

Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XIX.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of St. Vincent Medical Center and the Chief Executive Officer at St. Vincent Medical Center shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the St. Vincent Medical Center Board of Directors and the Local Governing Board.

XX.

At the request of the Attorney General, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II, shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XXI.

Once the System Restructuring and Support Agreement is closed, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II, are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

Conditions to Change in Control and Governance of St. Vincent Medical Center[1] and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC[2], and Integrity Healthcare, LLC

I.

These Conditions shall be legally binding on Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, Saint Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center of Lynwood Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, Verity Business Services, a California nonprofit public benefit corporation, DCHS Medical Foundation, a California nonprofit religious corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San

[1] Throughout this document, the term "St. Vincent Medical Center" shall mean the general acute care hospital located at 2131 West Third Street, Los Angeles, CA 90057, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Vincent Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

[2] The term "Certain Funds Managed by BlueMountain Capital Management, LLC" shall mean the following: BlueMountain Guadalupe Peak Fund, L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Summit Opportunities Fund II (US) L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BMSB L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Foinaven Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Logan Opportunities Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, and BlueMountain Montenvers Master Fund SCA SICAV-SIF, a Luxembourg corporate partnership limited by shares, by BlueMountain Capital Management, LLC, its investment manager.

Jose Dialysis, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, the above-listed entities whose corporate status will be changed from a California nonprofit religious corporation to a California nonprofit public benefit corporation, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Vincent Medical Center, or the real property on which St. Vincent Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Vincent Medical Center, and any and all current and future lessees and owners of the real property on which St. Vincent Medical Center is located.

These Conditions shall be legally binding on the following entities, as defined in Operating Asset Purchase Option Agreement, Operating Asset Purchase Agreement, Real Estate Purchase Option Agreement, and the Real Estate Purchase Agreement, when the closing occurs on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement: the Option Holders, Purchaser and its Affiliates, "OpCo" a Delaware limited liability company, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, and "PropCo" a Delaware limited liability company that will elect to be treated for tax purposes as a real estate investment trust, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, Integrity Healthcare, LLC, a Delaware limited liability company, Integrity Healthcare Blocker, LLC, a Delaware limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, managing member, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Vincent Medical Center, or the real property on which St. Vincent Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Vincent Medical Center, and any and all current and future lessees and owners of the real property on which St. Vincent Medical Center is located.

II.

The transaction approved by the Attorney General consists of the System Restructuring and Support Agreement dated July 17, 2015, Amendment No. 1 to System Restructuring and Support Agreement, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the System Restructuring and Support Agreement and Amendment No. 1 to System Restructuring and Support Agreement including, but not limited to:

a. Transitional Consulting Services Agreement dated July 17, 2015;
b. Health System Management Agreement with Integrity Healthcare, LLC;
c. Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC;
d. Operating Asset Purchase Option Agreement;
e. Operating Asset Purchase Agreement;

f. Real Estate Purchase Option Agreement;
g. Real Estate Purchase Agreement;
f. Information Technology Lease Agreement; and
g. Deposit Escrow Agreement dated July 17, 2015.

All the entities listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

III.

For fifteen years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center, and all future owners, managers, lessees, licensees, or operators of St. Vincent Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Vincent Medical Center;

(b) Transfer control, responsibility, management, or governance of St. Vincent Medical Center. The substitution or addition of a new corporate member or members of St. Vincent Medical Center or Verity Health System of California, Inc. that transfers the control of, responsibility for or governance of St. Vincent Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of St. Vincent Medical Center or Verity Health System of California, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of St. Vincent Medical Center or Verity Health System of California, Inc., shall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the System Restructuring and Support Agreement unless otherwise stated, St. Vincent Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide the following health care services at current[3] licensure, types, and/or levels of services:

a. Twenty-four hour emergency medical services, including a minimum of 8 emergency beds/stations and 6 Fast Track treatment stations, and the requirements set by the County of Los Angeles Emergency Medical Services for 911 Receiving Hospitals;
b. Acute rehabilitation services, including a minimum of 19 licensed acute rehabilitation beds;
c. Intensive care/critical care services, including a minimum of 30 licensed intensive care beds;
d. Cardiac services, including cardiac surgery and a minimum of 4 cardiac catheterization labs;
e. Cancer services, including radiation therapy;
f. Gastroenterology services;
g. Imaging and laboratory services;
h. Nephrology services, including end stage renal disease program, acute inpatient dialysis unit, and hemodialysis treatments;
i. Neurology and neurotology services, including neurosurgery;
j. Orthopedics, joint replacement, and spine care services;
k. Transplant services, including kidney and multi-organ transplant procedures for kidney/pancreas double transplants; and
l. Outpatient dialysis services within 5 miles of St. Vincent Medical Center by either (1) operating St. Vincent Dialysis Center, or (2) transferring St. Vincent Dialysis Center to a separate entity and requiring that entity to operate it for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VII, or (3) ensuring that a third party is operating an outpatient dialysis center(s) at current levels for 5 years from the closing date of the System Restructuring and Support Agreement and that such center(s) participate in the Medi-Cal and Medicare programs as required in Condition VII.

St. Vincent Medical Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

[3] The term “current” or “currently” throughout this document means as of January 1, 2015.

V.

If St. Vincent Medical Center provides obstetrical services within five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall also provide reproductive health services including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

VI.

For five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall either: (1) operate the 1206(d) clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures (e.g., 1206(l) Medical Foundation), or (2) sell the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents in the and require the purchaser(s) to maintain such services for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VII, or (3) ensure that a third party is operating the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VII. For any of these options, each clinic can be moved to a different location within a two-mile radius of each clinic's current location, and St. Vincent Medical Center can utilize an alternative structure (e.g., Federally Qualified Health Center, physician office practice) in providing such services. The following 1206 (d) clinics are subject to this condition:

a. Joint Replacement Institute, located at 2200 West 3rd Street in Los Angeles;
b. Multi-Organ Transplant Center, located at 2200 West 3rd Street in Los Angeles;
c. Spine Institute, located at 2200 West 3rd Street in Los Angeles;
d. Cancer Treatment Center, located at 201 S. Alvarado Street in Los Angeles; and
e. Cardiac Care Institute, located at 201 S. Alvarado Street in Los Angeles.

VII.

For five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall:

a) Be certified to participate in the Medi-Cal program;

b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Vincent Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly-situated hospitals offering substantially the same services, without any loss,

interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause:

i) Local Initiative Plan: LA Care Health Plan or its successor; and
ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If St. Vincent Medical Center questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Vincent Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

VIII.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall provide an annual amount of Charity Care (as defined below) at St. Vincent Medical Center equal to or greater than $407,513 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by St. Vincent Medical Center in connection with the operation and provision of services at St. Vincent Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.[4] St. Vincent Medical Center shall use and maintain a charity care policy that is no less favorable than St. Vincent Medical Center's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at St. Vincent Medical Center shall be decided by the St. Vincent Medical Center Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

St. Vincent Medical Center's obligation under this Condition shall be prorated on a daily basis if the closing date of the System Restructuring and Support Agreement is a date other than the first day of St. Vincent Medical Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any,

[4] OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

While the Health System Management Agreement with Integrity Healthcare, LLC is in effect, if the actual amount of charity care provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Vincent Medical Center shall pay an amount equal to the deficiency as follows: 50% of the deficiency payment as a contribution to the Daughters of Charity Health System Retirement Plan (Defined Benefit Church Plan), as defined in the System Restructuring and Support Agreement, in addition to the contributions that are required by the amortization schedule and premium payments required under Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 (as amended), as set forth in section 7.3 in the System Restructuring and Support Agreement until the Defined Benefit Church Plan is fully funded, and 50% of the deficiency payment for capital expenditures as set forth in section 7.7 of the System Restructuring and Support Agreement for repairing and/or upgrading the hospital buildings and equipment including, but not limited to, seismic compliance as required in Condition XV. Such payments shall be made within four months following the end of such fiscal year.

After the closing date on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, if the actual amount of charity care provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Vincent Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct health care services to residents in St. Vincent Medical Center's primary service area (17 ZIP codes), as defined on page 62 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

The 2010 Federal Affordable Care Act may cause a reduction in future needs of charity care. Because of the impact of the Medi-Cal expansion in California and other effects from the 2010 Federal Affordable Care Act, the California Attorney General will consider adjusting the Minimum Charity Care Amount based on financial data submitted to OSHPD from time periods after implementation of the 2010 Federal Affordable Care Act. Any actual reduction will be considered "unforeseen" for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h). Once St. Vincent Medical Center submits its Annual Financial Disclosure Report to OSHPD for Fiscal Year 7/1/2015 to 6/30/2016, it may seek a request for an amendment of the Minimum Charity Care Amount beginning for Fiscal Year 7/1/2016 to 6/30/2017. The Attorney General's Decision on such a request will be issued within 90 days of the submission of all of the information required in Title 11, California Code of Regulations, section 999.5, subdivision (h)(2) and all the information requested by the Attorney General's Office.

IX.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall provide an annual amount of Community Benefit Services at St. Vincent Medical Center equal to or greater than $1,018,762 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered:

a) Health Benefits Resource Center or similar services; and
b) Asian Pacific Liver Center.

The planning of, and any subsequent changes to, the community benefit services provided at St. Vincent Medical Center shall be decided upon by the St. Vincent Medical Center's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

St. Vincent Medical Center's obligation under this Condition shall be prorated on a daily basis if the effective date of the System Restructuring and Support Agreement is a date other than the first day of St. Vincent Medical Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Vincent Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Vincent Medical Center's primary service area (17 ZIP codes), as defined on page 62 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

X.

For at least five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall maintain its contracts and any amendments and exhibits thereto with the County of Los Angeles for services, including the following:

a. Hospital Preparedness Program Agreement;
b. Radiation Therapy Services Agreement; and
c. Physician Post Graduate Training Agreement.

For at least five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Vincent Medical Center. The goal is to ensure that St. Vincent Medical Center's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

XI.

For five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall have a Local Governing Board of Directors. St. Vincent Medical Center's Board of Directors shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.7 of the Definitive Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at St. Vincent Medical Center. The members of the Local Governing Board shall include physicians from St. Vincent Medical Center's medical staff, St. Vincent Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Vincent Medical Center's primary service area (17 ZIP codes), as defined on page 62 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

XII.

Verity Health System of California, Inc. shall reserve or expend the $180 million capital commitment set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2.

XIII.

Verity Health System of California, Inc. shall comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement. Section 7.3 of the System Restructuring and Support Agreement should be amended to include the following language:

> (f) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.3 against Verity Health System of California, Inc.

XIV.

St. Vincent Medical Center shall maintain privileges for current medical staff who are in good standing as of the closing date of the System Restructuring and Support Agreement. Further, the closing of the System Restructuring and Support Agreement shall not change the medical staff officers, committee chairs, or independence of the St. Vincent Medical Center's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

XV.

Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Vincent Medical Center through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

Verity Health System of California, Inc. shall commit the necessary capital investment required to refurbish St. Vincent Medical Center's elevators in order to meet the City of Los Angeles' Elevator Code.

XVI.

Within sixty days of the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center's Board of Trustees shall replace Article of IV, Section 3, subsection (a) of its Amended and Restated Bylaws Template (attached hereto as Exhibit 3) with the following language:

(a) Number and Composition. The Board of Trustees shall generally consist of not less than five (5) nor more than seventeen (17) members, including:

i) no more than 50 percent shall be members who are in good standing on the Board of Directors of Verity Health System of California, Inc.;

ii) at least one-third shall be residents of Los Angeles County; and

iii) no members shall have either directly or indirectly, personally or through a family member have any financial relationship with BlueMountain Capital Management, LLC or any of its owned or managed affiliates or Integrity Healthcare, LLC, and may not serve as an officer, director, contractor or employee of BlueMountain Capital Management, LLC or any of its owned or managed affiliates, or Integrity Healthcare, LLC, any managed fund, or entity in which BlueMountain Capital Management, LLC has an equity stake or option to purchase, except for public companies wherein BlueMountain Capital Management, LLC has an interest of less than 10%.

St. Vincent Medical Center's Board of Trustees shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 4) and Amended and Restated Bylaws within 90 days from the closing date of the System Restructuring and Support Agreement requiring these provisions and any further changes to these documents must be approved by the Attorney General.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Verity Health System of California, Inc. shall adopt the same Conflict of Interest Policy currently used by Daughters of Charity Health System and its affiliates (attached hereto as Exhibit 5) except that all references to the "Corporation" in the Conflict of Interest Policy shall be amended to "Corporation or BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC" and a portion of its "Financial Interest" definition section on page 2 shall be amended to state as follows:

4. **Financial Interest**: A Director or Family member has, directly or indirectly, a current or potential

- Ownership or investment interest in; or
- Compensation arrangement with; or
- Other economic interest in <u>any of the following</u>:

  i. The Corporation; or
  ii. BlueMountain Capital Management, LLC and or any of its owned or managed affiliates and Integrity Healthcare, LLC; or
  iii. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC has a transaction or arrangement; or
  iv. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC is negotiating a transaction or arrangement; or
  v. Any entity or individual that competes with the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC.

Verity Health System of California, Inc. Board of Trustees shall provide a copy of its Conflict of Interest Policy within 90 days from the closing date of the System Restructuring and Support Agreement requiring this amendment and any further changes to this document must be approved by the Attorney General.

Verity Health System of California, Inc. shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 6) and the Amended and Restated Bylaws (as set forth in the attached hereto Amended and Restated Bylaws Template as Exhibit 7) within 90 days from the closing date of the System

Restructuring and Support Agreement and any further changes to these documents must be approved by the Attorney General.

If either the Verity Health System of California, Inc.'s Board of Directors or St. Vincent Medical Center's Board of Trustees provides board compensation to its members other than reimbursement for travel to and from board/trustees' meetings, it is required to obtain an fair market valuation for payment of such compensation for similarly-situated board of directors/trustees in the United States every two years.

XVII.

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at St. Vincent Medical Center, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at St. Vincent Medical Center. Both of these must be explicitly set forth in St. Vincent Medical Center's written policies, adhered to, and strictly enforced.

XVIII.

At least thirty days prior to the closing of the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, St. Vincent Foundation and St. Vincent Medical Center shall provide to the Attorney General's Office an accounting of all charitable assets. Within 5 days of the Attorney General's approval, St. Vincent Foundation and St. Vincent Medical Center shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

a) The funds from St. Vincent Medical Center and St. Vincent Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's St. Vincent Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of St. Vincent Medical Center's primary service area (17 ZIP codes) and secondary service area (17 ZIP Codes), as described on page 62 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated December 24, 2014. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from St. Vincent Medical Center or St. Vincent Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community

Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XIX.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of St. Vincent Medical Center and the Chief Executive Officer at St. Vincent Medical Center shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the St. Vincent Medical Center Board of Directors and the Local Governing Board.

XX.

At the request of the Attorney General, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II, shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XXI.

Once the System Restructuring and Support Agreement is closed, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II, are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

Conditions to Change in Control and Governance of Seton Medical Center[1] and Seton Coastside[2] and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC[3], and Integrity Healthcare, LLC

I.

These Conditions shall be legally binding on Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, Saint Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center of Lynwood Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, Verity Business Services, a California nonprofit public benefit

[1] Throughout this document, the term "Seton Medical Center" shall mean the general acute care hospital located at 1900 Sullivan Ave., Daly City, CA 94015, and any other clinics, laboratories, units, services, or beds included on the license issued to Seton Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

[2] Throughout this document, the term "Seton Coastside" shall mean the skilled nursing facility with 5 general acute care beds located at 600 Marine Boulevard, Moss Beach, CA 94038-9641, and any other clinics, laboratories, units, services, or beds included on the license issued to Seton Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

[3] The term "Certain Funds Managed by BlueMountain Capital Management, LLC" shall mean the following: BlueMountain Guadalupe Peak Fund, L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Summit Opportunities Fund II (US) L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BMSB L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Foinaven Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Logan Opportunities Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, and BlueMountain Montenvers Master Fund SCA SICAV-SIF, a Luxembourg corporate partnership limited by shares, by BlueMountain Capital Management, LLC, its investment manager.

corporation, DCHS Medical Foundation, a California nonprofit religious corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San Jose Dialysis, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, the above-listed entities whose corporate status will be changed from a California nonprofit religious corporation to a California nonprofit public benefit corporation, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Seton Medical Center and Seton Coastside, or the real property on which Seton Medical Center and Seton Coastside are located, any and all current and future owners, lessees, licensees, or operators of Seton Medical Center and Seton Coastside, and any and all current and future lessees and owners of the real property on which Seton Medical Center and Seton Coastside are located.

These Conditions shall be legally binding on the following entities, as defined in Operating Asset Purchase Option Agreement, Operating Asset Purchase Agreement, Real Estate Purchase Option Agreement, and the Real Estate Purchase Agreement, when the closing occurs on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement: the Option Holders, Purchaser and its Affiliates, "OpCo" a Delaware limited liability company, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, and "PropCo" a Delaware limited liability company that will elect to be treated for tax purposes as a real estate investment trust, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, Integrity Healthcare, LLC, a Delaware limited liability company, Integrity Healthcare Blocker, LLC, a Delaware limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, managing member, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Seton Medical Center and Seton Coastside, or the real property on which Seton Medical Center and Seton Coastside is located, any and all current and future owners, lessees, licensees, or operators of Seton Medical Center and Seton Coastside, and any and all current and future lessees and owners of the real property on which Seton Medical Center and Seton Coastside is located.

II.

The transaction approved by the Attorney General consists of the System Restructuring and Support Agreement dated July 17, 2015, Amendment No. 1 to System Restructuring and Support Agreement, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the System Restructuring and Support

Agreement and Amendment No. 1 to System Restructuring and Support Agreement including, but not limited to:

a. Transitional Consulting Services Agreement dated July 17, 2015;
b. Health System Management Agreement with Integrity Healthcare, LLC;
c. Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC;
d. Operating Asset Purchase Option Agreement;
e. Operating Asset Purchase Agreement;
f. Real Estate Purchase Option Agreement;
g. Real Estate Purchase Agreement;
f. Information Technology Lease Agreement; and
g. Deposit Escrow Agreement dated July 17, 2015.

All the entities listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

III.

For fifteen years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center and Seton Coastside and all future owners, managers, lessees, licensees, or operators of Seton Medical Center and Seton Coastside shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Seton Medical Center or Seton Coastside;

(b) Transfer control, responsibility, management, or governance of Seton Medical Center or Seton Coastside. The substitution or addition of a new corporate member or members of Seton Medical Center, Seton Coastside, or Verity Health System of California, Inc. that transfers the control of, responsibility for or governance of Seton Medical Center or Seton Coastside, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Seton Medical Center, Seton Coastside, or Verity Health System of California, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Seton Medical Center, Seton Coastside, or Verity Health System of California, Inc., shall also be deemed a transfer for purposes of this Condition.

IV.

For ten years from the closing date of the Definitive Agreement, Seton Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain, provide, and expand the following healthcare services at current[4] licensure and designation with the same types and/or levels of services:

a. 24-hour emergency medical services, including a minimum of 18 emergency treatment stations;
b. Cardiac services, including the 2 cardiac catheterization labs, including the designation as a STEMI Receiving Center;
c. Intensive care and coronary care services, including a minimum of 20 intensive care and coronary care beds;
d. Advanced certification as a Primary Stroke Center;
e. Women's health services, Seton Breast Health Center, and women's imaging and mammography services; and
f. Sub-acute services, including a minimum of 44 sub-acute beds and Medi-Cal Certification and Joint Commission Accreditation as a sub-acute unit.

Seton Medical Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

V.

If Seton Medical Center provides obstetrical services within ten years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center shall also provide reproductive health services including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

VI.

For at least five years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center shall maintain and provide the following services at current licensure, types, and/or levels of services:

a. Gastroenterology services, including enteroscopy, endoscopy, and colonoscopy services;
b. Cancer services, including inpatient oncology unit, interventional radiology, radiation therapy, and infusion services;
c. Orthopedics and rehabilitation services, including joint replacement and spine care services;
d. Diabetes services, including Northern California Diabetes Institute;

[4] The term "current" or "currently" throughout this document means as of January 1, 2014.

e. Wound care services, including Seton Center for Advanced Wound Care; and
f. Nephrology services, including inpatient and outpatient dialysis services.

Seton Medical Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

VII.

For at least ten years from the closing date of the Definitive Agreement, Seton Coastside shall maintain and provide the following services at current licensure, types, and/or levels of services at Seton Coastside:

a. 24-hour "standby" emergency services, with a minimum of 7 treatment stations; and
b. Skilled nursing services, including a minimum of 116 licensed skilled nursing beds.

VIII.

For ten years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center and Seton Coastside shall:

a) Be certified to participate in the Medi-Cal program;

b) Maintain and have a Medi-Cal Managed Care contract with San Mateo Health Commission dba Health Plan of San Mateo or its successor to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause.

If Seton Medical Center or Seton Coastside questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

IX.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center, Seton Coastside shall provide an annual amount of Charity Care (as defined below) at Seton Medical Center and Seton Coastside equal to or greater than $1,721,301 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Seton Medical Center and Seton Coastside in connection with the operation and provision of services at Seton Medical Center and Seton Coastside. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.[5] Seton Medical Center and Seton Coastside shall use and maintain a charity care policy that is no less favorable than Seton Medical Center's and Seton Coastside's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at Seton Medical Center and Seton Coastside shall be decided by the Seton Medical Center and Seton Coastside Board(s) of Directors after consultation with the Local Governing Board(s) of Directors as set forth in Condition XIII.

Seton Medical Center's and Seton Coastside's obligation under this Condition shall be prorated on a daily basis if the closing date of the System Restructuring and Support Agreement is a date other than the first day of Seton Medical Center's and Seton Coastside's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

While the Health System Management Agreement with Integrity Healthcare, LLC is in effect, if the actual amount of charity care provided at Seton Medical Center and Seton Coastside for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Seton Medical Center and Seton Coastside shall pay an amount equal to the deficiency as follows: 50% of the deficiency payment as a contribution to the Daughters of Charity Health System Retirement Plan (Defined Benefit Church Plan), as defined in the System Restructuring and Support Agreement, in addition to the contributions that are required by the amortization schedule and premium payments required under Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 (as amended), as set forth in section 7.3 in the System Restructuring and Support Agreement until the Defined Benefit Church Plan is fully funded, and 50% of the deficiency

[5] OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

payment for capital expenditures as set forth in section 7.7 of the System Restructuring and Support Agreement for repairing and/or upgrading the hospital buildings and equipment including, but not limited to, seismic compliance as required in Condition XVII. Such payments shall be made within four months following the end of such fiscal year.

After the closing date on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, if the actual amount of charity care provided at Seton Medical Center and Seton Coastside for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Seton Medical Center and Seton Coastside shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct health care services to residents in Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

The 2010 Federal Affordable Care Act may cause a reduction in future needs of charity care. Because of the impact of the Medi-Cal expansion in California and other effects from the 2010 Federal Affordable Care Act, the California Attorney General will consider adjusting the Minimum Charity Care Amount based on financial data submitted to OSHPD from time periods after implementation of the 2010 Federal Affordable Care Act. Any actual reduction will be considered "unforeseen" for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h). Once Seton Medical Center and Seton Coastside submit their Annual Financial Disclosure Report to OSHPD for Fiscal Year 7/1/2015 to 6/30/2016, they may seek a request for an amendment of the Minimum Charity Care Amount beginning for Fiscal Year 7/1/2016 to 6/30/2017. The Attorney General's Decision on such a request will be issued within 90 days of the submission of all of the information required in Title 11, California Code of Regulations, section 999.5, subdivision (h)(2) and all the information requested by the Attorney General's Office.

X.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center and Seton Coastside shall provide an annual amount of Community Benefit Services at Seton Medical Center and Seton Coastside equal to or greater than $794,324 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered:

a. Health Benefits Resource Center; and
b. RotaCare Clinic.

The planning of, and any subsequent changes to, the community benefit services provided at Seton Medical Center and Seton Coastside shall be decided upon by the Seton Medical Center's and Seton Coastside's Board(s) of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XIII.

Seton Medical Center's and Seton Coastside's obligation under this Condition shall be prorated on a daily basis if the effective date of the System Restructuring and Support Agreement is a date other than the first day of Seton Medical Center's and Seton Coastside's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Seton Medical Center and Seton Coastside for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Seton Medical Center and Seton Coastside shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

XI.

For at least five years from the closing date of the System Restructuring and Support Agreement unless otherwise indicated, Seton Medical Center and Seton Coastside shall maintain its contracts and any amendments and exhibits thereto with the County of San Mateo for services, including the following:

a) Data Usage Agreements between San Mateo County and Seton Medical Center;

b) Patient Transfer Agreement between San Mateo County Medical Center and Seton Medical Center;

c) Agreement dated July 2013 (effective October 1, 2013) whereby the County of San Mateo agrees to provide financial support for Seton Medical Center in exchange for Seton Medical Center's agreement to maintain its role as a safety net provider in San Mateo County, unless otherwise terminated earlier by the County of San Mateo;

d) San Mateo ACE Program Hospital Agreement; and

e) Agreements with Local Hospitals and Healthcare Facilities Participating in the National Bioterrorism Hospital Preparedness Program Grant.

XII.

Verity Medical Foundation shall continue to fulfill the terms of the following agreements and addendums thereto:

a. Medi-Cal Medical Services Agreement Between San Mateo Health Commission and Referral Provider dated May 2014;

b. Care Advantage Medical Services Agreement Between San Mateo Health Commission and Primary Care Physician dated July 2014;

c. Medi-Cal Medical Services Agreement Between San Mateo Health Commission and Primary Care Physician dated July 2014;

d. Healthworx Medical Services Agreement Between San Mateo Community Health Authority and Primary Care Physician dated July 2014;

e. Healthworx Medical Services Agreement between San Mateo Community Health Authority and Referral Provider dated June 2014; and

f. Care Advantage Medical Services Agreement Between San Mateo Health Commission and Referral Provider dated August 2014.

XIII.

For ten years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center and Seton Coastside shall have a Local Governing Board(s) of Directors. Seton Medical Center's and Seton Coastside's Board(s) of Directors shall consult with the Local Governing Board(s) of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at Seton Medical Center and Seton Coastside. The members of the Local Governing Board(s) shall include physicians from Seton Medical Center's and Seton Coastside's medical staff, Seton Medical Center's and Seton Coastside's Chief(s) of Staff, one member designated by the San Mateo County Board of Supervisors, and community representatives from Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board(s)'s approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

XIV.

Verity Health System of California, Inc. shall reserve or expend the $180 million capital commitment set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2.

XV.

Verity Health System of California, Inc. shall comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement. Section 7.3 of the System Restructuring and Support Agreement should be amended to include the following language:

> (f) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.3 against Verity Health System of California, Inc.

XVI.

Seton Medical Center and Seton Coastside shall maintain privileges for current medical staff who are in good standing as of the closing date of the System Restructuring and Support Agreement. Further, the closing of the System Restructuring and Support Agreement shall not change the medical staff officers, committee chairs, or independence of the Seton Medical Center's and Seton Coastside's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

XVII.

Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Seton Medical Center and Seton Coastside through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070) including, but not limited to, a) construction of, completion of, and obtaining a Certificate of Occupancy by July 1, 2019 for a new Patient Tower at Seton Medical Center, with at least 104 beds for general acute care, perinatal care, and intensive care services, with at least 12 critical care beds and 8 perinatal beds, or b) retrofitting of and obtaining a Construction Final by July 1, 2019 for Seton Medical Center's current Patient Tower.

For building a new Patient Tower, Verity Health System of California, Inc. shall submit Construction Documents to OSHPD by September 30, 2016, shall obtain a building permit from OSHPD by September 30, 2017, and shall obtain a Certificate of Occupancy from OSHPD by July 1, 2019.

For retrofitting Seton Medical Center's current Patient Tower, Verity Health System of California, Inc. shall submit Construction Documents to OSHPD by September 30, 2016, shall obtain a building permit for retrofitting Seton Medical Center's current Patient Tower from

OSHPD by September 30, 2017, and shall obtain a Construction Final from OSHPD by July 1, 2019.

XVIII.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Seton Medical Center's and Seton Coastside's Board(s) of Trustees shall replace Article of IV, Section 3, subsection (a) of its Amended and Restated Bylaws Template (attached hereto as Exhibit 3) with the following language:

(a) Number and Composition. The Boards of Trustees shall generally consist of not less than five (5) nor more than seventeen (17) members, including:

i) no more than 50 percent shall be members who are in good standing on the Board of Directors of Verity Health System of California, Inc.;

ii) at least one-third shall be residents of San Mateo County; and

iii) no members shall have either directly or indirectly, personally or through a family member have any financial relationship with BlueMountain Capital Management, LLC or any of its owned or managed affiliates or Integrity Healthcare, LLC, and may not serve as an officer, director, contractor or employee of BlueMountain Capital Management, LLC or any of its owned or managed affiliates, or Integrity Healthcare, LLC, any managed fund, or entity in which BlueMountain Capital Management, LLC has an equity stake or option to purchase, except for public companies wherein BlueMountain Capital Management, LLC has an interest of less than 10%.

Seton Medical Center's and Seton Coastside's Board(s) of Trustees shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 4) and Amended and Restated Bylaws within 90 days from the closing date of the System Restructuring and Support Agreement requiring these provisions and any further changes to these documents must be approved by the Attorney General.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Verity Health System of California, Inc. shall adopt the same Conflict of Interest Policy currently used by Daughters of Charity Health System and its affiliates (attached hereto as Exhibit 5) except that all references to the "Corporation" in the Conflict of Interest Policy shall be amended to "Corporation or BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC" and a portion of its "Financial Interest" definition section on page 2 shall be amended to state as follows:

4. **Financial Interest**: A Director or Family member has, directly or indirectly, a current or potential

- Ownership or investment interest in; or

- Compensation arrangement with; or

- Other economic interest in <u>any of the following</u>:

  i. The Corporation; or
  ii. BlueMountain Capital Management, LLC and or any of its owned or managed affiliates and Integrity Healthcare, LLC; or
  iii. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC has a transaction or arrangement; or
  iv. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC is negotiating a transaction or arrangement; or
  v. Any entity or individual that competes with the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC.

Verity Health System of California, Inc. Board of Trustees shall provide a copy of its Conflict of Interest Policy within 90 days from the closing date of the System Restructuring and Support Agreement requiring this amendment and any further changes to this document must be approved by the Attorney General.

Verity Health System of California, Inc. shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 6) and the Amended and Restated Bylaws (as set forth in the attached hereto Amended and Restated Bylaws Template as Exhibit 7) within 90 days from the closing date of the System Restructuring and Support Agreement and any further changes to these documents must be approved by the Attorney General.

If either the Verity Health System of California, Inc.'s Board of Directors or Seton Medical Center's and Seton Coastside's Board(s) of Trustees provides board compensation to its members other than reimbursement for travel to and from board/trustees' meetings, it is required to obtain an fair market valuation for payment of such compensation for similarly-situated board of directors/trustees in the United States every two years.

XIX.

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at Seton Medical Center and Seton Coastside, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at Seton Medical Center and Seton Coastside. Both of these must be explicitly set forth in Seton Medical Center's and Seton Coastside's written policies, adhered to, and strictly enforced.

XX.

At least thirty days prior to the closing of the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, Seton Medical Center Foundation shall provide to the Attorney General's Office an accounting of all charitable assets. Within 5 days of the Attorney General's approval, Seton Medical Center Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

a) The funds from Seton Medical Center Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's Seton Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as described on page 65 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated October 2, 2015. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from Seton Medical Center Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XXI.

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center and Seton Coastside shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board(s) of Directors of Seton Medical Center and Seton Coastside and the Chief Executive Officer(s) at Seton Medical Center and Seton Coastside shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Seton Medical Center's and Seton Coastside's Board(s) of Directors and the Local Governing Board(s).

XXII.

At the request of the Attorney General, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XXIII.

Once the System Restructuring and Support Agreement is closed, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

Conditions to Change in Control and Governance of Saint Louise Regional Hospital[1] and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC[2], and Integrity Healthcare, LLC

I.

These Conditions shall be legally binding on Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, Saint Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center of Lynwood Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, Verity Business Services, a California nonprofit public benefit corporation, DCHS Medical Foundation, a California nonprofit religious corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul

[1] Throughout this document, the term "Saint Louise Regional Hospital" shall mean the general acute care hospital located at 9400 No Name Uno, Gilroy, CA 95020, and any other clinics, laboratories, units, services, or beds included on the license issued to Saint Louise Regional Hospital by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

[2] The term "Certain Funds Managed by BlueMountain Capital Management, LLC" shall mean the following: BlueMountain Guadalupe Peak Fund, L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Summit Opportunities Fund II (US) L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BMSB L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Foinaven Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Logan Opportunities Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, and BlueMountain Montenvers Master Fund SCA SICAV-SIF, a Luxembourg corporate partnership limited by shares, by BlueMountain Capital Management, LLC, its investment manager.

Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San Jose Dialysis, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, the above-listed entities whose corporate status will be changed from a California nonprofit religious corporation to a California nonprofit public benefit corporation, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Saint Louise Regional Hospital, or the real property on which Saint Louise Regional Hospital is located, any and all current and future owners, lessees, licensees, or operators of Saint Louise Regional Hospital, and any and all current and future lessees and owners of the real property on which Saint Louise Regional Hospital is located.

These Conditions shall be legally binding on the following entities, as defined in Operating Asset Purchase Option Agreement, Operating Asset Purchase Agreement, Real Estate Purchase Option Agreement, and the Real Estate Purchase Agreement, when the closing occurs on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement: the Option Holders, Purchaser and its Affiliates, "OpCo" a Delaware limited liability company, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, and "PropCo" a Delaware limited liability company that will elect to be treated for tax purposes as a real estate investment trust, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, Integrity Healthcare, LLC, a Delaware limited liability company, Integrity Healthcare Blocker, LLC, a Delaware limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, managing member, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Saint Louise Regional Hospital, or the real property on which Saint Louise Regional Hospital is located, any and all current and future owners, lessees, licensees, or operators of Saint Louise Regional Hospital, and any and all current and future lessees and owners of the real property on which Saint Louise Regional Hospital is located.

II.

The transaction approved by the Attorney General consists of the System Restructuring and Support Agreement dated July 17, 2015, Amendment No. 1 to System Restructuring and Support Agreement, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the System Restructuring and Support Agreement and Amendment No. 1 to System Restructuring and Support Agreement including, but not limited to:

a. Transitional Consulting Services Agreement dated July 17, 2015;
b. Health System Management Agreement with Integrity Healthcare, LLC;
c. Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC;
d. Operating Asset Purchase Option Agreement;

e. Operating Asset Purchase Agreement;
f. Real Estate Purchase Option Agreement;
g. Real Estate Purchase Agreement;
f. Information Technology Lease Agreement; and
g. Deposit Escrow Agreement dated July 17, 2015.

All the entities listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

III.

For fifteen years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital, and all future owners, managers, lessees, licensees, or operators of Saint Louise Regional Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Saint Louise Regional Hospital;

(b) Transfer control, responsibility, management, or governance of Saint Louise Regional Hospital. The substitution or addition of a new corporate member or members of Saint Louise Regional Hospital or Verity Health System of California, Inc. that transfers the control of, responsibility for or governance of Saint Louise Regional Hospital, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Saint Louise Regional Hospital or Verity Health System of California, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Saint Louise Regional Hospital or Verity Health System of California, Inc., shall also be deemed a transfer for purposes of this Condition.

IV.

For at least ten years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain, provide, and expand the following 24-hour emergency medical services:

a. 8 emergency treatment stations at a minimum; and
b. Completion of the emergency expansion project that renovates the waiting area, triage spaces, registration, and adding four reclining chairs.

V.

For ten years from the closing date of the System Restructuring and Support Agreement unless otherwise stated, Saint Louise Regional Hospital shall maintain, provide, and expand the following health care services at current[3] licensure, types, and/or levels of services:

a. Intensive Care Services, including a minimum of 4 intensive care beds;
b. Coronary Care Services, including a minimum of 4 coronary care beds;
c. Obstetric Services, including a minimum of 10 beds;
d. Stroke services including telemedicine program for stroke patients and designation as a Primary Stroke Center;
e. Women's services including pregnancy and delivery services, maternal fetal medicine, mammography, stereotactic breast biopsy, and bone density screening; and
f. Reproductive health services and expand such services to include those prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

Saint Louise Regional Hospital shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

VI.

For at least five years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall maintain and provide the following services at current licensure, types, and/or levels of services:

a. Cancer services including medical and surgical;
b. DePaul Urgent Care Center open and available to patients 7 days a week;
c. Wound Care and Hyperbaric Medicine Services, including debridement, compression therapy, growth factor therapy, blood flow measurement, and hyperbaric oxygen therapy;
d. Pulmonary Rehabilitation Program; and
e. Asthma and diabetes education.

Saint Louise Regional Hospital shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

[3] The term "current" or "currently" throughout this document means as of January 1, 2015.

VII.

For at least ten years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall maintain physician on-call coverage agreements with currently contracted specialties and/or maintain other comparable coverage arrangements with physicians at fair market value.

VIII.

For ten years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall:

a) Be certified to participate in the Medi-Cal program;

b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at Saint Louise Regional Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause:

i.) Local Initiative: Santa Clara Family Health Plan or its successor;
ii.) Local Initiative: Santa Clara Valley Health Plan or its successor; and
iii.) Commercial Plan: Anthem Blue Cross of California or its successor.

If Saint Louise Regional Hospital questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Saint Louise Regional Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

IX.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall provide an annual amount of Charity Care (as defined below) at Saint Louise Regional Hospital equal to or greater than $1,863,857 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Saint Louise Regional Hospital in connection with the operation and provision of services at Saint Louise Regional Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be

the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.[4] Saint Louise Regional Hospital shall use and maintain a charity care policy that is no less favorable than Saint Louise Regional Hospital's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at Saint Louise Regional Hospital shall be decided by the Saint Louise Regional Hospital Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XII.

Saint Louise Regional Hospital's obligation under this Condition shall be prorated on a daily basis if the closing date of the System Restructuring and Support Agreement is a date other than the first day of Saint Louise Regional Hospital's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

While the Health System Management Agreement with Integrity Healthcare, LLC is in effect, if the actual amount of charity care provided at Saint Louise Regional Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Saint Louise Regional Hospital shall pay an amount equal to the deficiency as follows: 50% of the deficiency payment as a contribution to the Daughters of Charity Health System Retirement Plan (Defined Benefit Church Plan), as defined in the System Restructuring and Support Agreement, in addition to the contributions that are required by the amortization schedule and premium payments required under Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 (as amended), as set forth in section 7.3 in the System Restructuring and Support Agreement until the Defined Benefit Church Plan is fully funded, and 50% of the deficiency payment for capital expenditures as set forth in section 7.7 of the System Restructuring and Support Agreement for repairing and/or upgrading the hospital buildings and equipment including, but not limited to, seismic compliance as required in Condition XVI. Such payments shall be made within four months following the end of such fiscal year.

After the closing date on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, if the actual amount of charity care provided at Saint Louise Regional Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Saint Louise Regional Hospital shall pay an amount equal to the deficiency to one or more tax-exempt entities that

[4] OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

provide direct health care services to residents in Saint Louise Regional Hospital's service area (7 ZIP codes), as defined on page 60 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

The 2010 Federal Affordable Care Act may cause a reduction in future needs of charity care. Because of the impact of the Medi-Cal expansion in California and other effects from the 2010 Federal Affordable Care Act, the California Attorney General will consider adjusting the Minimum Charity Care Amount based on financial data submitted to OSHPD from time periods after implementation of the 2010 Federal Affordable Care Act. Any actual reduction will be considered "unforeseen" for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h). Once Saint Louise Regional Hospital submits its Annual Financial Disclosure Report to OSHPD for Fiscal Year 7/1/2015 to 6/30/2016, it may seek a request for an amendment of the Minimum Charity Care Amount beginning for Fiscal Year 7/1/2016 to 6/30/2017. The Attorney General's Decision on such a request will be issued within 90 days of the submission of all of the information required in Title 11, California Code of Regulations, section 999.5, subdivision (h)(2) and all the information requested by the Attorney General's Office.

X.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall provide an annual amount of Community Benefit Services at Saint Louise Regional Hospital equal to or greater than $873,145 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered:

a. Health Benefits Resource Center;
b. RotaCare Lab Tests;
c. Nursing Professional Education; and
d. Health Professional Education.

The planning of, and any subsequent changes to, the community benefit services provided at Saint Louise Regional Hospital shall be decided upon by the Saint Louise Regional Hospital's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XII.

Saint Louise Regional Hospital's obligation under this Condition shall be prorated on a daily basis if the effective date of the System Restructuring and Support Agreement is a date other than the first day of Saint Louise Regional Hospital's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, CA Consolidated Metropolitan

Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Saint Louise Regional Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Saint Louise Regional Hospital shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Saint Louise Regional Hospital's service area (7 ZIP codes), as defined on page 60 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

XI.

For at least ten years from the closing date of the System Restructuring and Support Agreement unless otherwise indicated, Saint Louise Regional Hospital shall maintain its contracts and any amendments and exhibits thereto with the County of Santa Clara for services, including the following:

a. Hospital Designation Agreement By and Between the County of Santa Clara and Saint Louise Regional Hospital;

b. Transfer Agreement Between County of Santa Clara and Saint Louise Regional Hospital For Neonatal and Pediatric Intensive Care Services;

c. Agreement Between the County of Santa Clara and Saint Louise Regional Hospital For the Grant of Bioterrorism Hospital Preparedness Program;

d. Agreement Between the County of Santa Clara and Saint Louise Regional Hospital For Use of Automated Vital Statistics System; and

e. County of Santa Clara Hospital Mutual Aid System Memorandum of Understanding.

Saint Louise Regional Hospital shall request that the above-listed contracts be amended to remove any requirement to comply with and any reference to the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, if applicable.

For at least ten years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall provide to the Santa Clara County Public Health Department and Santa Clara County Mental Health Department information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for Saint Louise Regional Hospital. The goal is to ensure that Saint Louise Regional Hospital's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

XII.

For ten years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall have a Local Governing Board of Directors. Saint Louise Regional Hospital's Board of Directors shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at Saint Louise Regional Hospital. The members of the Local Governing Board shall include physicians from Saint Louise Regional Hospital's medical staff, Saint Louise Regional Hospital's Chief of Staff, one member designated by the Santa Clara County Board of Supervisors, and community representatives from Saint Louise Regional Hospital's primary service area (7 ZIP codes), as defined on page 60 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

XIII.

Verity Health System of California, Inc. shall reserve or expend the $180 million capital commitment set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2.

XIV.

Verity Health System of California, Inc. shall comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement. Section 7.3 of the System Restructuring and Support Agreement should be amended to include the following language:

> (f) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.3 against Verity Health System of California, Inc.

XV.

Saint Louise Regional Hospital shall maintain privileges for current medical staff who are in good standing as of the closing date of the System Restructuring and Support Agreement. Further, the closing of the System Restructuring and Support Agreement shall not change the medical staff officers, committee chairs, or independence of the Saint Louise Regional Hospital's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

XVI.

Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Saint Louise Regional Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

XVII.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital's Board of Trustees shall replace Article of IV, Section 3, subsection (a) of its Amended and Restated Bylaws Template (attached hereto as Exhibit 3) with the following language:

(a) Number and Composition. The Board of Trustees shall generally consist of not less than five (5) nor more than seventeen (17) members, including:

i) no more than 50 percent shall be members who are in good standing on the Board of Directors of Verity Health System of California, Inc.;

ii) at least one-third shall be residents of Santa Clara County; and

iii) no members shall have either directly or indirectly, personally or through a family member have any financial relationship with BlueMountain Capital Management, LLC or any of its owned or managed affiliates or Integrity Healthcare, LLC, and may not serve as an officer, director, contractor or employee of BlueMountain Capital Management, LLC or any of its owned or managed affiliates, or Integrity Healthcare, LLC, any managed fund, or entity in which BlueMountain Capital Management, LLC has an equity stake or option to purchase, except for public companies wherein BlueMountain Capital Management, LLC has an interest of less than 10%.

Saint Louise Regional Hospital's Board of Trustees shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Bylaws Template as Exhibit 4) and Amended and Restated Bylaws within 90 days from the closing date of the System Restructuring and Support Agreement requiring these provisions and any further changes to these documents must be approved by the Attorney General.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Verity Health System of California, Inc. shall adopt the same Conflict of Interest Policy currently used by Daughters of Charity Health System and its affiliates (attached hereto as Exhibit 5) except that all references to the "Corporation" in the Conflict of Interest Policy shall be amended to "Corporation or BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC" and a portion of its "Financial Interest" definition section on page 2 shall be amended to state as follows:

4. **Financial Interest**: A Director or Family member has, directly or indirectly, a current or potential

- Ownership or investment interest in; or
- Compensation arrangement with; or
- Other economic interest in <u>any of the following</u>:

  i. The Corporation; or
  ii. BlueMountain Capital Management, LLC and or any of its owned or managed affiliates and Integrity Healthcare, LLC; or
  iii. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC has a transaction or arrangement; or
  iv. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC is negotiating a transaction or arrangement; or
  v. Any entity or individual that competes with the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC.

Verity Health System of California, Inc. Board of Trustees shall provide a copy of its Conflict of Interest Policy within 90 days from the closing date of the System Restructuring and Support Agreement requiring this amendment and any further changes to this document must be approved by the Attorney General.

Verity Health System of California, Inc. shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 6) and the Amended and Restated Bylaws (as set forth in the attached hereto Amended and Restated Bylaws Template as Exhibit 7) within 90 days from the closing date of the System Restructuring and Support Agreement and any further changes to these documents must be approved by the Attorney General.

If either the Verity Health System of California, Inc.'s Board of Directors or Saint Louise Regional Hospital's Board of Trustees provides board compensation to its members other than reimbursement for travel to and from board/trustees' meetings, it is required to obtain an fair market valuation for payment of such compensation for similarly-situated board of directors/trustees in the United States every two years.

XVIII.

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at Saint Louise Regional Hospital, its medical office buildings, or at any of its facilities. There

shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at Saint Louise Regional Hospital. Both of these must be explicitly set forth in Saint Louise Regional Hospital's written policies, adhered to, and strictly enforced.

XIX.

At least thirty days prior to the closing of the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, Saint Louise Regional Hospital Foundation shall provide to the Attorney General's Office an accounting of all charitable assets. Within 5 days of the Attorney General's approval, Saint Louise Regional Hospital Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

a) The funds from Saint Louise Regional Hospital Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's Saint Louise Regional Hospital Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of Saint Louise Regional Hospital's service area (7 ZIP codes), as described on page 60 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated October 2, 2015. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from Saint Louise Regional Hospital Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XX.

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Saint Louise Regional Hospital and the Chief Executive Officer at Saint Louise Regional Hospital shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Saint Louise Regional Hospital's Board of Directors and the Local Governing Board.

XXI.

At the request of the Attorney General, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XXII.

Once the System Restructuring and Support Agreement is closed, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES

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In Re:	) Case No. 2:18-bk-20151-ER
VERITY HEALTH SYSTEM OF CALIFORNIA, INC.,	) Chapter 11
	) Los Angeles, California
Debtor.	) Wednesday, 10:00 A.M.) September 5, 2018

HEARING RE: [21] DEBTOR'S EMERGENCY MOTION FOR ENTRY OF AN ORDER AUTHORIZING THE FILING UNDER SEAL OF CONFIDENTIAL PATIENT INFORMATION

HEARING RE: [23] EMERGENCY MOTION OF DEBTORS FOR AUTHORITY TO: (1) CONTINUE USING EXISTING CASH MANAGEMENT SYSTEM, BANK ACCOUNTS AND BUSINESS FORMS; (2) IMPLEMENT CHANGES TO THE CASH MANAGEMENT SYSTEM IN THE ORDINARY COURT OF BUSINESS; (3) CONTINUE INTERCOMPANY TRANSACTIONS; (4) PROVIDE ADMINISTRATIVE EXPENSE PRIORITY FOR POST-PETITION INTERCOMPANY CLAIMS; AND (5) OBTAIN RELATED RELIEF

HEARING RE: [24] EMERGENCY MOTION FOR ENTRY OF AN ORDER (1) AUTHORIZING THE DEBTORS TO (A) MAINTAIN INSURANCE PROGRAM,(B) PAY INSURANCE PREMIUMS IN THE ORDINARY

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COURSE AND (C) PAY ALL OBLIGATIONS ASSOCIATED THEREWITH; AND (ii) PREVENTING INSURANCE COMPANIES FROM ENFORCING *IPSO FACTO* CLAUSES OR GIVING ANY NOTICE OF TERMINATION OR OTHERWISE MODIFYING ANY INSURANCE POLICY WITHOUT OBTAINING RELIEF FROM THE AUTOMATIC STAY

HEARING RE: [25] EMERGENCY MOTION OF DEBTORS FOR ENTRY OF AN ORDER LIMITING SCOPE OF NOTICE

HEARING RE: [26] DEBTORS EMERGENCY APPLICATION FOR AN ORDER (A) APPOINTING KURTZMAN CARSON CONSULTANTS, LLC AS CLAIMS AND NOTICING AGENT AND (B) APPROVING THE FORM AND MANNER OF NOTICE OF CASE COMMENCEMENT; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF EVAN GERSCHBEIN; MEGA CASE PROCEDURES CHECKLIST (FORM 5075); PROPOSED NOTICE OF CASE COMMENCEMENT

HEARING RE: [28] DEBTORS EMERGENCY MOTION FOR ORDER (A) PROHIBITING UTILITIES FROM ALTERING, REFUSING OR DISCONTINUING SERVICE AND (B) DETERMINING ADEQUATE ASSURANCE OF PAYMENT FOR FUTURE UTILITY SERVICES

HEARING RE: [29] DEBTORS EMERGENCY MOTION FOR ENTRY OF AN ORDER AUTHORIZING DEBTORS TO HONOR PREPETITION OBLIGATIONS TO CRITICAL VENDORS

HEARING RE: [31] EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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. SECTION 105, 363, 364, 1107 AND 1108; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF; DECLARATION OF ANITA CHOU IN SUPPORT THEREOF (MAIZEL, SAMUEL)

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE ERNEST ROBLES
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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For MOB Financing and 2017 Notes:	BRUCE BENNETT, ESQ. Jones Day 555 South Flower Street 50th Floor Los Angeles, California 90071

For Pension Benefit Guaranty Corporation:	ELAN S. LEVEY, ESQ. U.S. Attorney's Office U.S. Department of Justice Federal Building Suite #7516 300 North Los Angeles Street Los Angeles, California 90012
For United Nurses Association of California and UNAC:	JOSEPH A. KOHANSKI, ESQ. Bush Gottlieb 801 North Brand Boulevard Suite #950 Glendale, California 91203
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LOS ANGELES, CALIFORNIA, WEDNESDAY, SEPTEMBER 5, 2018, 11:32 A.M.

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THE COURT: Let's call the Verity Health System matters. Please give me your appearances. And we'll take appearances in all the matters at one time. First in the courtroom and then by telephone.

MR. MAIZEL: Your Honor, Samuel R. Maizel, Dentons US, LLP on behalf of the debtor. I'll do introductions for the rest of my group at the end.

THE COURT: Thank you.

MR. LEMKE: If Your Honor please, David Lemke on behalf of Ally Bank, the proposed DIP lender. Your Honor, I'm with the law firm of Waller Lansden in Nashville, Tennessee and I do not at this point have local counsel yet nor have I been admitted *pro hoc*. We are working on that with Lan Zurich (phonetic) who's in the courtroom with Logan Low (phonetic) but we haven't worked through all of the issues yet so I would ask Your Honor's indulgence for today only to allow me to appear on behalf of my client and I assure you by the next time I appear in front of Your

Honor I will have local counsel and be admitted.

THE COURT: That's fine. Thank you.

MR. LEMKE: Thank you, Your Honor.

MS. YIP: Good morning, Your Honor. Hatty Yip appearing on behalf of the United States Trustee.

MR. RICOTTA: Good morning, Your Honor. I'm Paul Ricotta. I'm with the firm of Mintz Levin. With me today is my partner Dan Bleck. We are representing UMB National Bank which is the Master Trustee for the 2005 Bonds.

MR. STRABO: Good morning, Your Honor. Jason Strabo on behalf of U.S. Bank National Association, not individually but as Indenture Trustee for the 2015 Notes and 2017 notes, respectively. And with me today are Nathan Coco and Clark Whitmore, both of whom are -- we've filed *pro hoc* employment applications for yesterday. So we'd ask that they be able to speak if possible.

THE COURT: Very well, yes. Thank you.

MR. COCO: Good morning, Your Honor. Nathan Coco from McDermott Will & Emery on behalf of U.S. Bank National Association, as my colleague mentioned, in its capacity as Indenture Trustee with respect to the debtor's 2015 Senior Notes.

MR. WHITMORE: And good morning, Your Honor. Clark Whitmore on behalf of U.S. Bank National Association in its capacity as the 2017 Notes Trustee.

THE COURT: Thank you.

MR. WANG: Good morning, Your Honor. Deputy Attorney General Kenneth Wang on behalf of California Department of Health Care Services.

MS. BERRY: Good morning, Your Honor. Alicia Berry, Deputy Attorney General for the California Attorney General on behalf of the Charitable Trust Section.

THE COURT: Thank you.

MR. BENNETT: Good morning, Your Honor. Bruce Bennett, Jones Day on behalf of the holders of the MOB Financing and the 2017 Notes.

MS. LEVEY: Good morning, Your Honor. Assistant United States Attorney Elan Levey of United States Department of Health and Human Services and Centers for Medicare and Medicaid Services.

MR. KOHANSKI: Good morning, Your Honor. Joe Kohanski, Bush Gottlieb for the United Nurses Association of California, Union of Health Care Professionals, generally known as UNAC.

THE COURT: All right. We have appearances by telephone.

MS. RICH: Good afternoon --

MR. ZUBER: Good afternoon --

MS. RICH: -- Your Honor.

MR. ZUBER: Oh, I'm sorry. Go ahead, please.

THE COURT: Go ahead. Anyone first.

MS. RICH: Good afternoon, Your Honor.

THE COURT: Yes.

MS. RICH: Okay. This is Emily Rich on behalf of Weinberg Roger & Rosenfeld and we represent the SEIU United Healthcare Workers West and Stationary Engineers of Local 39, its Pension Plan and its Health and Welfare Trust Fund.

THE COURT: Thank you.

MR. ZUBER: Good afternoon, Your Honor. This is Scott Zuber. I'm an attorney in New Jersey with Chiesa Shahinian & Giantomasi. I have not yet been able to retain local counsel or become *ad hoc* (indiscernible) but I will tend to those as soon as possible. I'm planning on just listening in today on behalf of Cardinal Health.

THE COURT: Very well. Thank you.

MR. ZEEFE: Good afternoon, Your Honor. This is Mitchell (phonetic) Zeefe from the U.S. Department of Justice on behalf of Department of Health and Human Services and CMS, just listening in today.

THE COURT: Very well. Thank you.

Any other appearances by telephone this morning?

MR. YANT: Good morning, Your Honor. This is Ryan Yant, Donald Kirk and Alexandra Blye of the firm Carlton Fields. We're here on behalf of St. Vincent IPA

Medical Corporation.

THE COURT: All right. Other appearances by telephone?

All right. I don't hear anything else.

Mr. Maizel.

MR. MAIZEL: Good morning, Your Honor. Again, it's Sam Maizel, Dentons US, LLP on behalf of the debtor. With me at counsel table working from my nearest is Tanya Moyron and Sam Alberts and Claude Montgomery who are partners of mine at Dentons who have worked on this case and are going to present issues this morning. And honestly, Your Honor, they're just the tip of an iceberg that's put in an amazing amount of work over the last two months to get this company to this first-day hearing.

With us in court today as well from the company is Rich Adcock who's the CEO; Elspeth Paul who's the General Counsel -- they're sitting right behind me; Anita Chou who is the CFO; and Steve Sharrer who is the Director of Human Resources. Also in the courtroom today with me is Peter Chadwick from Berkeley Research Group who are our financial advisors. Not present in court but you'll see employment applications for this group coming in the next few days. We've retained Cain Brothers as investment bankers, both for -- with regards to raising capital and selling assets. We'll be filing employment applications

for Edelman to serve as our public relations group; Kurtzman Carson is going to be our claims and noticing agent. They've already got -- we've already filed an application and the Court's indicated it's inclined to grant that. We're going to need health regulatory counsel and the law firm of Nelson Hardiman is going to be -- we're going to seek employment for them in that regard. And given the size of my firm and the conflicts which will inevitably arise the law firm of Pachulski Stang Ziehl & Jones has agreed to serve as our conflicts counsel and we'll be filing an employment application for them in the near future.

First of all, I'd like to thank the Court for granting us -- I'm sure this is not how you planned to spend this morning a few days ago.

THE COURT: It's more I had a meeting set for noon and you got me out of it so that's great.

(Laughter.)

MR. MAIZEL: I appreciate giving us a mercy hearing this morning and I would like to especially thank your staff. As always, they have been remarkably helpful in allowing us to get here in some organized fashion.

And again, Your Honor, having been in front of you for the last two years in the *Gardens* case I'm familiar with your amazing ability to get out pretty comprehensive

tentative rulings on very short notice. They are incredibly helpful in allowing not only us but everyone involved in the case to figure out what's important to say and what we can avoid wasting everyone's time with at these hearings. So I appreciate those.

THE COURT: And now that you bring that up I wanted to be sure that the latest tentative rulings made their way to counsel here because they incorporated a couple of objections that we received late last night and this morning.

MR. MAIZEL: They did, Your Honor. Your staff handed them out and I -- I'm certain that everyone involved had a chance to read them. So let me -- it's the first day hearing in the Chapter 11 case. Let me give you a little background on the debtor and how we got here before we go in the specific motions before the Court today.

The -- Verity Health System of California is a not-for-profit public benefit corporation. It's the sole corporate member of five California not -- non-profit public benefit corporations that operate six acute care hospitals. There are -- I'll group them geographically for the Court. There's two in Santa Clara County, O'Connor Hospital and St. Louise Regional Hospital. There are two here in Los Angeles County, St. Vincent's Medical Center, which is right up the street, and St. Francis Medical

Center. And then two in San Mateo County, Seton Medical Center and Seton Medical Center Coastside. They're affiliated. The Seton Medical Coastside is a small acute care hospital, five beds. Most of the beds there are skilled nursing facility beds.

A couple of noteworthy points about this debtor. The St. Francis Hospital was the first hospital in Los Angeles. It was founded in 1856. It includes a multitude of facilities. It includes -- including a Dialysis Center which is a separate debtor in this case. The -- one of the other unique features of this hospital system is St. Francis is a very important hospital here in Lynwood/Compton area. It has a Level II Trauma Center, vitally important to the healthcare system in that community.

Seton Medical Center up in San Mateo County is another longstanding healthcare facility in the state. It was founded in 1893.

The debtors total operate a system with over 1600 inpatient beds, six active emergency rooms, a trauma center as I mentioned before, and a host of medical specialties. The scope of the services provided by this hospital system result in over 50,000 inpatients and 480,000 outpatient visits annually. On any given day there are likely to be over 800 patients in these hospital beds.

The debtors have approximately 7400 employees. About 4700 of them are full time and about three-quarters of the employees are represented by collective bargaining units, primarily the SEIU and the California Association of Nurses.

There is a medical foundation. Not -- there are many medical foundations listed as debtors. There is Verity Medical Foundation which is actually a medical foundation that contracts with physicians and other healthcare professionals to provide patient care throughout the state. It has more than 100 primary care and specialty positions and it offers a wide range of care. I say there are other foundations because there are also foundations which are philanthropic foundations that are debtor entities that are associated with each of the six hospitals. And those philanthropic foundations serve as grant making and donation raising entities for the hospitals with which they are associated. So although we use the term “foundation” both through a lot to refer to the medical foundation and the philanthropic foundations they do completely different things.

Verity Medical Holdings is another debtor. It holds and finances Verity’s interest in the six medical office buildings, the tenants of which are primarily by -- physicians, medical groups, healthcare providers and the

hold -- the real estate portfolio of holdings includes over 30 properties total, although the six medical office buildings are certainly the largest.

Verity Business Services is another debtor. It's a not-for-profit public benefit corporation which provides support services to Verity and its affiliated hospitals. It provides accounting, finance, patient financial services, supply chain management and purchasing services for the entire system.

All right. That -- that's who we are, Your Honor. Let me give you a sense of how we got here.

So we laid out I think perhaps in excruciating detail in the first day declaration of Mr. Adcock, the history of these entities. And as I said they go back more than 150 years. But the real history I want the Court to focus on starts in about 1995 when the system, the Daughters of Charity, merged with Catholic Healthcare West, which is a very large hospital chain in 1995 because of operational troubles, because of their effort to try to maintain -- to create some kind of financial stability. In 2001 they formed the Daughters of Charity Healthcare System, withdrew from Catholic -- from the Catholic Healthcare West organization again searching for some kind of stability. By 2012 they now form an alliance with a company called Ascension, which is one of the largest

hospital chains in America, again trying to find a stable financial platform. That affiliation fails within two years.

By two thou -- by 2013 they are soliciting offers for the nor -- four northern hospitals. In 2014 they announce a strategic review. They enter into a transaction with Prime Healthcare to sell the entire system. It goes through the Attorney General review and I know the Court's familiar with the process from the *Gardens* case. So it goes through the Attorney General review. The Attorney General imposes conditions which Prime finds unacceptable and the deal falls apart. The company goes back to looking for strategic options. In 2015 it enters into a recapitalization agreement with a company called a fund, called Blue Mountain Capital Management, LLC. It's a private investment fund. It injects 100 million dollars of capital investment. It loans another 160 million dollars. It takes over management with an option to buy. That's in 2015. By 2017, last year, a company called Networks comes in, buys out 90 percent of Blue Mountain's investment and injects another -- more than 100 million dollars of its own money into the system to try to keep it afloat.

The net result of all of these efforts are a financially unstable system with a 580 million dollars of secured debt and a bankruptcy filing last Friday.

Currently we have assets that we value at at least 147 million dollars and secured debts of approximately 580 million and unsecured debts including an estimate on the pension debts of 600 million dollars.

The conditions that the system has operated under have made continuing operations in its current configuration with the debt structure, with the pension obligations, with the secured debt unmanageable. And after much soul-searching and a strategic review aided by financial advisors, investment bankers and lawyers the board of directors and the management have concluded that the Chapter 11 was necessary. And that I think the most likely outcome is a sale of the assets, although, well, to talk about the sale process while we have expressed throughout the process a preference for offers that sell -- that will take on all the assets as a system, assume the secured debt, assume the pension liabilities, maintain the collective bargaining agreements that's been our clear preference. And I have to say that the process so far does not make the likelihood of that -- doesn't make us think that the likelihood of that outcome is the most likely outcome.

THE COURT: Let me look into my crystal ball and do we have an issue with the State General Attorney's Office with respect to any of potential purchases?

MR. MAIZEL: Your Honor, we have been -- we have representatives of the debtor and I met with the Attorney General of the State of California and his healthcare policy staff. We have met with Ms. Wendy Horowitz (phonetic) who's appeared in this court in the *Gardens* case and handles the reviews of the local not-for-profit asset transfers. We have engaged in an ongoing dialogue, will continue to engage in an ongoing dialogue. We are hopeful that given the financial situation and the situation facing this system that we'll be able to engage in a cooperative effort with the Attorney General to sell the assets and work out compromises where necessary with regard to the conditions which have already been imposed.

THE COURT: The objection that was raised here doesn't give much hope (indiscernible).

MR. MAIZEL: You know, Your Honor, with regard to the objection we recognize that first day motions frequently get objections filed on short notice. I've had I think a helpful discussion with attorneys for the charitable trust section and a bankruptcy lawyer or at least someone familiar with bankruptcy law from the Attorney General's Office. I've noted Mr. Wang is here and he's quite familiar to us from prior not-for-profit hospital cases. And so I am hopeful that despite difficulties we might have had in prior cases that things

will go better here.

THE COURT: I want to kind of interrupt your exposition but I think this would be a very good time to simply say as an overall matter the Court's philosophy with respect to Chapter 11 is that Chapter 11 is the ultimate negotiating tool. It is the umbrella over which all of the discussions with respect to how to resolve various issues with various constituencies need to occur because I assure you that if they don't occur and if the Court is put to the task of fashioning a remedy nobody is going to like it. So I really do encourage you during the -- all of you collectively during the Chapter 11 process sooner rather than later before we get into just tremendous administrative expenses which, you know, I'm hearing all these professionals come in and I know that I'm looking -- dollar signs went over in my mind that we really want to take care of this as quickly as we can.

MR. MAIZEL: And --

THE COURT: All right. I'm sorry.

MR. MAIZEL: No. No. Two things, Your Honor. First of all, when Courts start mentioning the dollar signs in the first of the hearing I just want to point out even though I have partnership from around the country as you'll see in our application of the employed we have waived travel fees and expenses. So for the purposes of this case

all of Dentons' lawyers are based in Los Angeles.

THE COURT: All right.

MR. MAIZEL: And the second thing is once the Court starts referring to my comments as an "exposition" I think it's time to move on to the motions. So --

(Laughter.)

So let's --

THE COURT: I should choose my words a little more carefully I guess. Even I don't realize what I'm saying.

MR. MAIZEL: So let's do that.

THE COURT: All right.

MR. MAIZEL: Your Honor, the first motion on the docket is -- on the calendar this morning is number 17. It's a motion --

THE COURT: Well, before we -- let's start taking the calendar -- matter because --

MR. MAIZEL: Your order, Your Honor. We --

THE COURT: Yeah. Well, I suggest that we take item -- I think it's 26 which is the post-petition financing and the cash collateral motion. Why don't we do that first because --

MR. MAIZEL: Your Honor, my partner Claude Montgomery is going to present that motion.

THE COURT: All right. Thank you. Let's hear

that first.

MR. MONTGOMERY: Good morning, Your Honor. Claude Montgomery from Dentons. I am, in fact, Sam Maizel's partner that he has persuaded to come out to California to assist in this case.

Your Honor, first I want to, of course, thank the Court for indulging us on short notice. You have before you today in the formal sense a request for interim-only relief. This is something that is emphasized throughout the original proposed order and re-emphasized in the proposed changes that we uploaded to the court at approximately 3:00 a.m. -- excuse me, 7:00 a.m. California time. And the proposed order that we have given to the Court reflects the substantial efforts of counsel for the DIP lender, counsel for the 2017 note trustee, counsel for the 2015 note trustee, counsel for the successor master trustee and all of whom put in long hours over the days leading up to the filing and over the holiday weekend and we came to what appears to be a rest at about 3:00 a.m. this morning.

The order that we are seeking the Court to enter pursuant to the tentative ruling with which we have only appreciation and no objection at all seeks 30 million dollars on an interim basis as part of a facility that would be up to 185 million dollars on a -- an asset loan

basis, a revolver that has eligible conditions associated with respect to borrowing and, importantly, providing adequate protection to our prepetition -- that's secured lenders in the form of payments, in the form of contractual interest, payments with respect to trustee fees, payments with respect to counsel for each of the trustees that I identified. And there are five trustees that the Court will hear from over the course of time.

The changes that we uploaded today, if I may, Your Honor, have several features over what you saw as a result of the August 31 filing that led to your first interim tentative ruling. First, the definitions with respect to who the various parties are appear more clear. And then with respect to 4(b) it makes clear in response to one of the reservation of rights that each of the separate trustees, that is the successor -- the master successor trustee, the 2005 bond trustee, the 2015 note trustee, the 2017 note trustee and the MOB financing parties all have the right to have counsel paid for from the DIP financings. They're all in the budget and to the extent the budget needs to be adjusted it will be done.

In addition, we are providing the prepetition secured creditors, prepetition replacement liens, subordinate only to the carve-out and the DIP liens. We are giving them super priority expenses of administration,

again subordinate only to the carve-out, the prepetition liens, the prepetition replacement liens and, of course, the super priority liens of the DIP lender.

Your Honor will see that the concessions and agreement -- I mean, obviously the lenders and the parties were listening to you in advance because of the holders last night asked for concession from the DIP lender which appears in the -- on page 12 of the marked copy that we served. Ally Bank has agreed to defer a portion of its commitment fee, which was originally calculated at 2.3 million dollars, at -- upon entry of the interim order only 1.6 million will be paid as the commitment fee and the rest is deferred pending entry of the final order.

We have also made clear that neither DIP proceeds nor cash collateral proceeds will be used to challenge either the liens of the DIP lender or of the prepetition secured parties. However, there is a $50,000 investigation carve-out for use of DIP lien proceeds for purposes of investigating any issues associated with the prepetition secured creditors, Your Honor. However, it is clear, and at least in terms of the interim order, that the debtors are not bringing any such actions. We have stipulated to the enforceability perfection and amount of the liens. The amount of the debt appears in the declaration of Anita Chou as Exhibit 1. That's where you will see the offer referred

to 569 million dollars -- I think it's 568.675 is the number that is being stipulated to here.

Your Honor, critical to this process is the DIP budget. The DIP budget appears attached to the Chou declaration as Exhibit 2. The DIP budget we believe ties -- is intended to and does tie to a longer budget. What we are asking the Court's approval on an interim order is the 13-week budget, as we call it. It's also referred to in the DIP credit agreement as the 13-week initial forecast. That makes clear what the receipts, disbursement and adequate protection payments are. It makes clear how much will go to the DIP lender. It shows cash balances and, importantly, not surprising -- this is a troubled company -- it shows that the serious need for this debt financing from the very beginning. We are going to burn at least 15 million dollars assuming that we had access to all of the cash collateral and assuming we have 30 million dollars of borrowing at the beginning.

This is a case that has enormous potential. There are -- the St. Francis Hospital and some of the others are not only historically well known but they're, in fact, if you will, money-making operations. But the problem here is that the Daughters of Charity inherited and built the system in which the hospitals have to support each other and the net effect of all of these activities

has been a tremendous burn of cash and the cash has been -- has come from the secured lenders and has come from the parties that in 2015 and again in 2017 contributed another 260 million dollars of cash and book losses last year were 175 million dollars.

So this is a situation in which both emergency relief was warranted, interim relief is necessary and we believe that the 185-million-dollar cap which will be the subject of the final order but not the subject of this order will be found to be a reasonable borrowing by the debtor and that the 30 million dollars is adequately demonstrated as necessary by the Chu (phonetic) declar -- Chou declaration.

Your Honor, the -- we have also made sure that all the secured creditor -- prepetition secured creditor requests for protections in the form of not only stipulations but respect to recognizing the priorities of the prepetition lien structure in the replacement lien structure and in the super priority expense of administration structure. That is, for any given pool of collateral if there was a senior and a junior with respect to that collateral that will be recognized in the prepetition replacement lien process. It will be recognized in the expense of administration process.

The -- if you will, the beauty of this is that we

have parties who have come together at least on an interim basis and we think for the case as a whole that have allowed the DIP lender to put a super structure over everything so that all of the borrowers are joint and severally obligated with respect to repaying the DIP. There is a super structure of replacement liens that's put in place but that super structure of replacement liens recognized the priorities for each collateral pool. It took a lot of work on the part of the secured lenders to agree to that but they have done so on an interim basis. That is why we are making the payments we are making. That is why we are making the stipulations we are making. That is why we are providing the waivers that appear in the order.

We can't pull the string on any one of these without endangering the construct as a whole and as Your Honor would expect this is a collectively negotiated agreement and we ask Your Honor to approve it.

With respect to two issues that Your Honor mentions in the tentative ruling it is clear that we are required and intend to account for all use of DIP lien proceeds and all use of cash collateral proceeds on an entity-by-entity basis. Page 24 of the revised interim order makes that clear. It ties it both to the cash management order and it ties it to I believe it is

Section 5.6 of the DIP credit agreement which makes it explicit that the debtor must maintain books and records on a borrower-by-borrower basis and we intend to do so here. And as Your Honor will see when it comes time to look at the cash collateral -- not the cash collateral, the cash management order it is intended that every transfer between debtors will be regarded on an intercompany basis as an advance will be regarded as an expense of administration advance so that each party with an interest in accounts will know that there are intercompany obligations that favor their debtor are going to be on the books of the company and traceable. We regarded that as essential from the very beginning and so that is why there are no issues with us with respect to that. This is not s substantive consolidation case in any way, shape or form at this particular time and frankly as debtor's counsel we don't think we'll ever be a substantive consolidation case.

Your Honor, it -- similarly we have made clear from the outset what collat -- what assets are not subject to the DIP lien, not subject to the prepetition replacement liens and those are what we call the paste funds that are held in trust by a Wilmington (phonetic) Trust, N.A. That was state agency funds that were generated for seismic and environmental improvements. They are basically held in cash, if you will, a kind of construction loan for future

improvements and we are not touching any of that cash because the debtor does not have access to it unless and until it wants to use it for the specific purpose provided and there is nothing in the budget on an interim basis providing for use of that money. We have, however, made it clear in the budget that we are paying the Daly City special assessment taxes and the prepetition secured creditors and the DIP lender have consented to that.

We also are excluding from the collateral avoidance claims and, importantly, for the tentative ruling we are -- we originally said, and we made it even more clear, that there are no liens on the donor restricted access of what we call the philanthropic foundations. You heard Mr. Maizel speak of the difference between the five philanthropic foundations which are truly charitable organizations and the medical foundation which is a business enterprise providing access to doctors for the hospitals.

Your Honor, with respect to those philanthropic foundations to the extent there is any non-donor restricted cash in those entities, and we believe there is such cash, it is subject -- those assets are subject to both the DIP liens and to the prepetition replacement liens. And the reason is very straightforward. Each of those operations are money losers. They depend on the hospitals for

support. They have inter-companies that run basically with the charitable -- the philanthropic foundations are obligors to the hospital corporations and to the extent they were going to use cash collateral or to use DIP lien proceeds to survive as charitable institutions we think it's reasonable that their non-donor restricted assets be subject to the same collateral obligations as all of the other entities.

So, Your Honor, once you take into account the 552(b) waiver that's also there I think I have described subject to Your Honor's inquiry all of the issues. I will tell you that again this appeared to be a completely consensual order. I think as of about ten minutes I think the DIP lender and the prepetition secureds want to have a conversation over the meaning of the note change in the budget without consent language that appears in the proposed agreed order but whichever way that conversation goes the debtors are happy with it, Your Honor.

THE COURT: All right. Thank you, Mr. Montgomery.

Let me find out if there is anyone in the courtroom that wishes to speak in terms of a response to Mr. Montgomery's statements, argument and -- or the Court's tentative ruling.

MS. BERRY: Your Honor, if I may.

THE COURT: Yes.

MS. BERRY: Deputy Attorney General Alicia Berry for California Attorney General's Office. With respect to this particular motion I believe the tentative questioned the Attorney General's position with respect to the charitable assets and I wanted to clarify that for the Court. The Attorney General's position is -- in its limited objections is that the restricted funds are not subject to the bankruptcy estate. We have not had an opportunity -- obviously, this is very large in scope -- to determine the exact scope of those restricted funds at this time but we wanted to alert the Court of our position. We also understand back in 2015 our office was necessarily involved in reviewing, approving with conditions the sale to a debtor. And we understand that those conditions that were imposed in December 2015 are going to remain in place and will be complied with with the debtor until further notice and we will work with debtor on those issues but we wanted to preserve our rights without prejudice. I don't know what conditions they may attempt to have reviewed in this court so I can't speak to anything specifically but I wanted to just preserve our rights without prejudice to come back and file additional motions for a final order, if necessary.

THE COURT: Well, thank you. I think that the

Court had indicated -- I think we were in sort of the same position as the State in not being able to determine what it is we're talking about. So what we decided to do is to set it aside for another day essentially. So that's what we'd like.

All right. Anything further? U.S. Trustee, please.

MR. MAIZEL: Your Honor, I'd just like to clarify one point that was just made and I do it because it is an oft repeated point in a lot of the press and in discussions. These assets were not sold in 2015. The company restructured. It changed its name. It became Verity. It entered into a management agreement with a company that was formed for the purposes of managing it and recapitalizing it but it wasn't sold. So when the Attorney General says when these assets were sold in 2015 that perpetuates a misconception that has appeared in many articles and conversations about this case. The -- there was not a sale to Integrity or a sale to an entity associated with Dr. Soon-Shiong or it -- that isn't what happened here.

THE COURT: All right. Thank you.

U.S. Trustee.

MS. YIP: Thank you, Your Honor. Just a brief comment. The cash collateral motion includes carve-out

expenses of two million dollars for debtor's professional and $75,000 for the Creditors' Committee. Obviously, a committee has not been appointed at this point. So we would request that the Court not rule on any allocation until the final hearing so Committee counsel can come in and negotiate with the debtor regarding this issue.

THE COURT: All right. Thank you.

Yes.

MR. RICOTTA: Your Honor, Paul Ricotta for UMB, the master trustee here. I wanted to briefly talk about that one issue that Mr. Montgomery said was still outstanding between the prepetition secured parties -- we are one of them -- as -- and Ally Bank with respect to consent in the event that Ally Bank and the debtor would like to make changes to the DIP credit agreement after the Court orders the interim relief.

I want to also mention the fact that -- and I want to amplify what Mr. Montgomery was saying and that is that the consent that we are prepared to give today is only for the interim order. It does not apply to any request for a final order. This document I will absolutely also amplify was the product of many compromises and any interest of any party here to try to pick apart any aspects of this order would I think cause a domino effect and hopefully we're not going to hear that. I also want to

indicate that one of the most important aspects of this case from our standpoint, and I think you'll hear this at any final hearing and you're going to hear it throughout the case so I'd like to preview it, and that is that we believe that the most important part of this case not surprisingly is -- are the sale processes. And I want to point out that in the DIP credit agreement the sales in this case are subject to the reasonable discretion of Ally Bank and I just want to point out to Your Honor that we will also be seeking to have a real voice with respect to any sales process in this case.

With that, Your Honor, what I'd like to do -- and I just had a sidebar with Ally Bank's counsel. What I'd like to do is suggest that we be given a few minutes to try to hammer out what would be acceptable language concerning the consent to amendments. If we can do that in a reasonable period of time we could I hope come up with the actual final language of an order that we could present to the Court right here in court and that obviously the debtor would upload whatever the final order would be but at least that way we would have the ability to explain to the Court exactly what the change is before we leave today.

THE COURT: All right.

MR. RICOTTA: So that's my suggestion that we be given a few minutes to confer with Mr. Lemke about that.

THE COURT: Okay. Let's do that in just a moment. What we'll do is to have any other parties that wish to speak to the Court's tentative may do so at this point. And this is simply with respect to calendar item -- and I lost it here. I believe it's 20 -- 26.

MR. MAIZEL: It's 26.

THE COURT: 26, yes.

MR. LEMKE: Thank you. David Lemke again on behalf of Ally Bank and we do agree with the proposal that we take a few minutes and try to work out the issue on that language. It is an important material issue for Ally Bank in terms of it going forward with the lending both on an interim and a final basis. The other thing I wanted to ask Your Honor, as far as some guidance, is of -- to the extent Your Honor approves the interim order Ally Bank will loan and once a good faith finding which I believe was in your tentative ruling. I believe it was. But I don't know whether Your Honor would like to hear some evidence from my client or an offer of proof or if that is necessary for Your Honor in order to obtain that -- that finding in the order.

THE COURT: What I'll ask you to do is just upload a declaration when you upload the or -- when the order is uploaded.

MR. LEMKE: Okay. We can do that.

THE COURT: All right. Very well.

MR. LEMKE: Thank you.

MR. COCO: Good morning, Your Honor. Nathan Coco on behalf of U.S. Bank as indenture trustee for the Series 2015 Notes. Just two quick points, Your Honor, really housecleaning type of matters. First is, as the Court is aware we filed a reservation of rights along with the indenture trustee for the 2017 notes raising a number of concerns in connection with the DIP financing and cash collateral arrangement. With the -- as Mr. Montgomery noted with a lot of tremendous effort, negotiation and cooperation with the debtors and other creditors we wanted to make the Court aware that the concerns we raised in connection with that pleading have been addressed for purposes of the interim order and, of course, we reserve our rights in connection with a final hearing and final order. So that was number one.

Number two, Your Honor, is that, you know, we compliment the debtors for really doing an -- and their professionals for doing an extraordinary job in formulating an order this complex with a capital structure that is this complex and a creditor constituency that is varied and maybe not always cooperative and on the same page. But what the debtors have been able to achieve here with us and with other creditors I think is remarkable and is a success

on an interim basis but in the feverish drafting that's taken place in the days and hours leading up to this and the submission of the revised interim order to the Court, you know, there are some terms in that order which are not defined in the order itself or in the motion. And I think that's because language is being suggested to the debtors from every direction and from a lot of different pleadings. And so we're happy to work with the debtors to clean those up if the order is going to be revised, particularly to address the issue with the DIP lender in connection with changes and -- but if the Court is inclined to answer the order as presented we just want to clarify the record with respect to these terms so that there's no confusion among anybody involved in the case, any parties in interest about what is meant by these terms.

THE COURT: All right. Thank you.

MR. COCO: Thank you.

MR. KOHANSKI: Your Honor, Joe Kohanski for UNAC. I very briefly by way of reservation for a final DIP hearing will want an opportunity to consult with the debtor's professionals concerning the -- a bunch of items pertaining to payment and benefit plans with respect to UNAC employees.

THE COURT: All right. Thank you.

Any other parties wish to speak to the Court's

tentative on item 26?

All right. What we'll do is to recess for a few moments, allow some discussions to be had, hopefully they can be placed on the record and then we can move on to the other matters.

MR. MAIZEL: Thank you, Your Honor.

(Recess taken.)

THE CLERK: Please remain seated and come to order. This Court is now in session.

THE COURT: Very well. Counsel.

MR. MONTGOMERY: Thank you, Your Honor. I'm pleased to report that we have rushed from near consensus to actual unanimity and agreement and we will be -- we will propose to the Court to upload three sets of modifications. We received definitional modifications from both the 2005 note trus -- the successor trustee's counsel and from the 2017 note counsel and, most importantly, on the budget amen -- excuse me, on the DIP agreement amendment and waiver issue. The prepetition secured creditors and the DIP lender have reached an agreement on language they request, and the debtors consent, to be added to the order and Mr. Lemke is going to read into the record that paragraph that we've agreed to have placed into the order and which we would like Your Honor to tentatively accept in his ruling.

THE COURT: Very well. Thank you.

Mr. Lemke.

MR. LEMKE: Your Honor, David Lemke on behalf of Ally Bank. Thank you for the time to work this out. So, Your Honor, where we're going to make a change to the order that you have in front of you is in paragraph 27(f) and on the redline that's page 33. And in that redline there was some language inserted at the bottom, sort of in the middle of that paragraph that said, "And the prepetition secured creditors" and then it said "notwithstanding the foregoing any amendment or waiver."

THE COURT: Yes.

MR. LEMKE: So that sentence it starts or that paragraph it starts: "Notwithstanding the foregoing" and then ends with "thereon" is going to be deleted and what I'm going to read into the record will be substituted in its place.

THE COURT: All right.

MR. LEMKE: All right. Here's what will be substituted in, "The debtor shall give each prepetition secured creditor notice concurrent with giving such notice or request to the DIP agent for any amendment or waiver of the DIP agreements and without prejudice to the effectiveness of any such amendment or waiver." A prepetition shear -- excuse me. "A prepetition secured

creditor shall have the right to file a motion with the Court objecting to such amendment." Period. "Nothing in the DIP order shall authorize the DIP agent or DIP lenders to increase the commitments in excess of the commitments set forth in this interim order, increase the interest rate, the contract interest rate, which is called the scheduled" -- I'm sorry -- "which is referred to as the applicable liable or margin or the default rate of interest or extend the maturity date which is defined as the scheduled termination date in the credit agreement."

THE COURT: All right. That change is acceptable to the Court and so you may make that part of the order.

MR. LEMKE: Thank you, Your Honor.

THE COURT: All right. I'm going to move now to the other motions but I know there was an objection by the U.S. Trustee or at least a concern with respect to the carve-out but I think we -- unless anything else I'm inclined just to keep that as it is. I think it makes it workable. I think that it also may inure to the benefit of an a -- or the Creditors' Committee. I assume one will be formed. So we'll have that.

All right. Let's take #25.00, the critical --

MR. MAIZEL: Your --

THE COURT: I'm sorry?

MR. MAIZEL: Your Honor, if we could. Because as

I was reminding people discussing this last issue in the hallway we have to make payroll. So if we could take the prepetition wages motion and the cash management motion, not in that order. Cash management motion next and the prepetition wages motion is then we can upload orders while we're still in court and hopefully get the orders entered sufficiently fast to get the bank to open our accounts and then we can fund our payroll.

THE COURT: All right.

MR. MAIZEL: So we'll start -- I'd like to start, Your Honor, if you'll indulge us, with number #20, the cash management motion which Ms. Moyron is going to present.

THE COURT: Very well.

MS. MOYRON: Good afternoon, Your Honor. Thank you again for your tentative ruling and we were actually prepared to merely submit on the cash management tentative ruling. Unfortunately, in the last 24 hours we've had every bank freeze all of our accounts. We were notified late last night that Bank of America and Wells Fargo froze our accounts. We've been emailing and on the phone with them in the last 24 hours and I'm happy to report that as long as we have two simple sentences in the cash management order and in the wage motion our understanding is that Wells Fargo and Bank of America will unfreeze the accounts. And I should actually modify my statement. We had two

simple sentences that we proposed to them but we've received a lot of language from them but we have come to an agreed form of order. So what I'd like to do is just tell you the two concepts that you'll see in the order and then upload the order as soon as this matter is done and if there's any way chambers could get the orders entered before 2:00 p.m. because that's when we need to kind of push the button to fund payroll --

THE COURT: All right.

MS. MOYRON: -- that would be extremely helpful.

THE COURT: All right.

MS. MOYRON: So first you'll see a paragraph that really boils down to, Your Honor, the Court saying that all prepetition obligations are going to be honored post-petition. To be more precise, all prepetition checks will be honored post-petition. That's the first concept. Second after that we really just need specific language from Your Honor ordering Bank of America and Wells Fargo to immediately unfreeze the accounts.

THE COURT: All right.

All right. Anyone wish to be heard on that? If you have the ability --

Sorry.

MS. YIP: The U.S. Trust -- on the cash management motion, first, the U.S. Trustee notes that there

are two depositories that are not approved in Region 16 and that's Tri-Counties Bank which the debtor had stated that it would close. And also a bank account at Alliance Credit Union. So both of those bank accounts need to be closed.

Also, the U.S. Trustee reading the debtor's motion on page 23, line 17, it stated that:

"At the debtor's request instead that they be allowed to convert the account which are already primarily at depositories authorized by the U.S. Trustee to debtor-in-possession accounts and continue to utilitize them as necessary to best serve their business needs."

So my -- our understanding from reading the motion was that they would be converted but I think the debtor's counsel had stated otherwise. So we need clarification on that issue.

Also, on page -- on paragraph 30, page 21, the debtor stated that:

"The gross revenues account would be closed and instead there would be an automatic sweep process directly from the lock box accounts to a new DIP account held by Chase, the DIP lender."

So our understanding is that a DIP account would be opened.

Given the complexity of the case the U.S. Trustee

understands the hardship with closing all the prepetition accounts and reopening DIP accounts but we are concerned with keeping all of these accounts opened as non-DIP because they're not a collateralized in the same manner as DIP accounts are. So our proposal is that for all disbursement accounts I believe each of the debtors will have their account re -- payable account where all disbursements will come from that those be transitioned into DIP accounts. It doesn't need to happen tomorrow. We can be flexible with what the time here the debtor can convert them to either -- to convert those account into DIP account or to sweep all the account payable accounts into DIP accounts so that all disbursements come from DIP accounts is our proposal.

THE COURT: All right. Thank you.

MS. MOYRON: Your Honor, I want to be clear that the entire purpose of the cash management motion is to continue with our existing cash management accounts and to the extent that the Trustee's Office read a certain sentence that indicated otherwise we apologize to the Trustee's Office and we apologize to the Court. It is critical that we maintain the accounts that we have as Ms. Elspeth Paul, general counsel for the company, or the CEO could more accurately describe than me but I'll try it.

The inflows and outflows in terms of

recordkeeping at these six hospitals is very complicated and what I've been informed is that if we were to close all of these accounts and open them that process would take 12 to 18 months. And we don't have the time to even have any of those accounts open for one day. Basically, out of these accounts every morning vendors are paid. Anything that's needed for any of the hospitals is paid. Payroll is paid. So the one-day interruption is pretty much catastrophic to these debtors. And I think this is why Congress amended Section 345(b), Your Honor, and gave you the discretion for cause to not require us to have these type of collateralized accounts. And so what we would urge Your Honor is that we are allowed to continue with our cash management system, that we are not required post-petition to open up new accounts.

THE COURT: Let's do the following. For purposes of the cash management system request and the wage motion I'm going to grant each of those with the additional language that was suggested at the podium. And that's not to prejudice the U.S. Trustee's Office with respect to the cash management issue. If it wants to raise that by way of an objection then we will deal with that by an objection but for the purposes of this interim hearing and even after the interim hearing I think it more important that we not disturb any of that because I think that has ramifications

well beyond just the cash management system. I think it has implications for the case as well.

On the other hand, I think that the requirements for the DIP accounts are there for a reason but those reasons may take into account the circumstances of each individual debtor as well.

So if the trustee has a continuing objection then they can raise it and we'll deal with it. But for purposes of the hearing today the motions are granted.

MS. MOYRON: Thank you, Your Honor. We appreciate it.

THE COURT: All right. Now, for purposes of the 2:00 o'clock why don't you go ahead and amend it now, upload it now and it will be approved and it will be made part of the record.

MS. MOYRON: Understood. My colleague will have that uploaded in literally two minutes.

THE COURT: All right. Thank you.

All right.

MS. RICH: Your Honor, I'm on the telephone. Excuse me, Your Honor.

THE COURT: Yes.

MS. RICH: I'm a telephone person. I represent some of the unions of the trust funds and we have a problem with the wage and payroll which is number 19. And you

(indiscernible).

THE COURT: Why don't we get your name first for the record, please.

MS. RICH: Okay. Thank you. My name is Emily Rich, Weinberg Roger & Rosenfeld, and I would like to be heard about the motions and number 19 which has to do with wages.

THE COURT: Yes.

MS. RICH: It seems -- it sounded like Your Honor just approved that order without hearing anything from those of us that want to speak on that.

THE COURT: All right. Go ahead.

MS. RICH: Okay. We primarily ask that the Court not order this as a final approval which was what the Court stated in its tentative and it intended to do. We've been working with the -- with Verity's bankruptcy counsel over the weekend and we've clarified several issues about pet -- ongoing petition contributions -- pension contributions, sorry, and health and welfare contributions but we still have some outstand -- outstanding issues that we haven't yet resolved and those have to do with ongoing pension payments. So we were still working together and I understood that this would be a -- an interim hearing and I urge the Court not to grant this as a final order because we may end up objecting to it.

THE COURT: And as far as the tentative is concerned can you point me to the -- where I said that?

MS. RICH: Yes. At the top of the number 19 it said that the Court would -- was ready to grant this as a final motion rather than just as a tentative.

THE COURT: Oh, I see.

MS. RICH: That's what I was reacting to.

THE COURT: All right.

MR. ALBERTS: Your Honor, Sam Alberts on behalf of the debtor. That's fine with us but the one thing I would mention -- and I was going to stand up and advise the Court that while we had not received a formal objection we received comments from Ms. Rich over the weekend and also from some of the other union representatives about post-petition administrative payments. And this is a prepetition wage motion. Now, I guess the old expression "no good deed goes unpunished," one of the things we attempted to do with this motion was to give the employees a signal that, "Yes, indeed you will be paid going forward on your wages." And so that was mentioned in the motion along with some of the benefits.

With respect to the union I believe she's referring to, Local 39, we had agreed with specific language both in terms of making sure that prepetition amounts would be covered under the 507(a)(5) priority and

that going forward for amounts that arise post-petition for active work, for open plans we would continue to make contributions into them. We shared the language with Ms. Rich last night. We think that it was acceptable. That is what we would present to the Court today. If it just needs to be just a tentative or an interim order we're fine with that, but I don't think that prejudices any of the unions. In fact, what we have said to them is that to the extent that you believe that there are post-petition amounts that should be paid that we don't believe are administrative but you do, we want to talk to you about it. We'll see if we can resolve it. And if not, it's without prejudice for you to come to the court.

THE COURT: I think that's -- the terminology the Court used might have fed into some misunderstanding. It was a final basis with respect to the prepetition wages.

MR. ALBERTS: Yeah.

THE COURT: So that's all we're talking about. We can jettison the final basis.

And we have another appearance in the courtroom. Yes.

MR. KOHANSKI: Thank you, Your Honor. Joe Kohanski for UNAC. We only parachuted into the case last evening but what Mr. Alberts stated largely echoes a conversation he and I had in the hallway beforehand.

Obviously, we're going to be very attentive to the union rights with respect to ongoing pension and wage payments under 1113 and 1114, particularly 13(f). But it's first day and let's -- we're both happy to see the wage order. Moving on --

THE COURT: Right. That's why we have equal pay. This is (indiscernible).

MR. MAIZEL: Yeah. Exactly.

THE COURT: All right.

MR. MAIZEL: In a nutshell.

THE COURT: All right.

Ms. Rich, do you have anything further to com -- for the Court?

MS. RICH: Oh, just one final comment, Your Honor.

THE COURT: Yes.

MS. RICH: And that is that we have been involved in bankruptcies where although some of these type of payments were relegated to administrative expenses because of administrative insolvency they were never paid. So our -- we are mindful that we would like these to be put into the budget from the get-go. That's why we're bringing this up.

THE COURT: All right. Well, I think all I can do this morning or afternoon -- this morning is to rule on

the motion that's before me. And so I'm going to rule in favor of the wage motion. I'm going to strike the final basis because it's not -- and all rights are reserved with respect to that and then we will deal with it in due course. All right. So that's the ruling on item 19.

MR. MAIZEL: Thank you, Your Honor. So we can go back to any order you want now.

THE COURT: All right.

MR. MAIZEL: I appreciate you letting me pull those out of the ord --

THE COURT: That's fine. All right. So we've -- let's go back to item 25 which is the critical vendors' --

MR. MAIZEL: Yes, Your Honor.

THE COURT: -- motion. Well, there was an objection with respect to that and I think we tried to deal with that in the tentative ruling that was amended and --

MR. MAIZEL: Your Honor, I -- we're willing to rest on the tentative. I don't know if the objecting party has anything further to add. I -- we think we've tailored a pretty carefully drawn up way to deal with the critical vendors. These vendors -- and this is a hospital with patients in beds, Your Honor. If we lose any part of the system that provides patient care the system fails. And I don't think my clients or I are prepared to run an organization like that and I don't think the Court expects

us to and I don't think our creditors expect us to. So we are looking to negotiate the -- Mr. Chadwick who's here in court has already I know begun negotiations with some creditors. That will continue in an effort to make sure that people who get on the list are people who have earned that right --

THE COURT: All right.

MR. MAIZEL: -- by contributing to the re -- the efforts so the company survives. So --

THE COURT: Very well.

Is there any objection with respect to calendar item 25 and the Court has issued its tentative ruling?

Yes.

MS. YIP: Just a brief comment, Your Honor.

THE COURT: Yes.

MS. YIP: I had spoke to debtor's counsel prior to the hearing and I just wanted clarification that these critical vendors did not include any employees that were also receiving the prepetition wages. I have been informed that these are all independent contractors so they are not double-dipping on both categories of payments. Also, the U.S. Trustee would like to request that debtor provide us with a breakdown of what the payments are to each of these categories, employees, so that we can see if any bonuses, any reimbursements are being paid. So we would like to

request that prior to the final hearing.

THE COURT: All right.

MR. MAIZEL: Your Honor, with regard to those comments, first of all, we'll -- we're not going to put anyone in both of those categories, critical vendors or under the wage motion and no one's going to get the -- above the cap of $12,850.

THE COURT: All right.

MR. MAIZEL: So that should take care of that objection issue. And we're happy to provide a list to the U.S. Trustee's Office of who gets what under the critical vendor motion.

THE COURT: All right. So why not ten days before the final hearing?

MR. MAIZEL: Thank you, Your Honor.

THE COURT: All right. Item 25 then is granted pursuant to the tentative.

Let's see, item 17 is a consolidated list with respect to noticing.

MR. MAIZEL: Your Honor, this is a motion to allow us to substitute for 17 separate 20-largest lists to provide one lar -- list of the 50 largest creditors. The list is only used for creating the Creditors' Committee and I believe that the Creditors' Committee will be formed as a uniform committee for all the cases. So it makes sense to

have one list in that regard. It also provides us with permission to have Kurtzman Carson who we hope will be our claims and noticing agent serve as the custodian of the master mailing matrix and the claims agent. And I know that Kurtzman Carson is already doing the work and has already been in discussion with both the Clerk's office and the office of the United States Trustee I think. But if they haven't been with the U.S. Trustee's they certainly will. They're very familiar with the process. They've served in this capacity in cases here, in Delaware and New York and across the country.

THE COURT: All right. Very well. With respect to calendar items 17 and I think it included 22 and 23. Those were all included in omnibus tentative ruling. If there's no further argument with respect to those motions those will be granted pursuant to the tentative.

MR. MAIZEL: Your Honor, one thing I do want to note is there was a limited objection from the Attorney General asking that we serve separately the Department of Healthcare Services and the Department of Public Health. We're happy to do that.

THE COURT: Very well. That will be made part of the order. Item 18 is the confidentiality of patient information.

MR. MAIZEL: Your chambers have dealt with this

before, Your Honor. We have an obligation under the HIPAA rules that Health Insurance Portability and Patient Protection Act to not use patient confidential information which includes their names in public filings and not to provide it with people who don't enter into a business associate agreement, we've done this with the Court before. The Clerk's Office is familiar with the process. We simply file the names under seal and file redacted versions publicly. I think the U.S. Trustee has asked that we give them the name list to the extent that we can do that under -- or I think that was the request, that they actually want the names, the full list of the redacted names. We're agreeable to do that. I think there's an exception for judicial proceedings but in any event if there isn't we'll enter into a business associate agreement, the debtor will with the U.S. Trustee's Office and then they can get it.

THE COURT: All right.

That's correct, counsel?

MS. YIP: Yes, Your Honor.

THE COURT: All right. Very well. So item 18 is granted pursuant to the tentative. Item 21 is the maintenance of the insurance scheme.

MR. MAIZEL: Your Honor, it's a pretty straightforward motion that asks us to be authorized to

maintain our existing insurance. It's a hospital. We have directors and officers. We have professional liability. We have real property insurance. We have a litany of insurance programs, any of which -- all of which are required by the U.S. Trustee's Office and any of which would be impossible to operate without. I'm not aware that we drew any objections. One note with regard to our insurance program is there was as the Court's aware an adversary proceeding filed immediately after the petition was filed last Friday and the Court entertained a motion for a temporary restraining order and entered a temporary restraining order against Old Republic's drawing of a 34-million-dollar letter of credit. We have been in negotiations with Old Republic over the weekend. We have already received a draft stipulation. I know there is hearing set for next week on the preliminary injunction and I just would want to let the Court know that we do not anticipate there being any dispute. At that point I expect there will be a stipulation filed before then.

THE COURT: Thank you very much. Then the motion with respect to item 21 will go by way of the tentative. The Court has not received any objection with that.

By my reckoning, the last matter is item 24. That's the utility motion.

MR. MAIZEL: Your Honor, again it's a pretty

straightforward utilities motion. It allows us to make deposits equivalent to approximately one month of the average payment for that utility so that they -- we will be insured of continuing provisions of those utilities. So we're talking electricity, water. And also IT, which it might be thought of as unusual here but hospitals these days are basically large computer hives. They -- all the records are electronic health records now. All the equipment. When nurses take the vitals off of a patient it's all done electronically now and it all goes into the computer systems. The good old days of clipboards and charts are behind us. So in this context the -- losing those kinds of services would be as devastating as losing the water or the electricity.

So we're not aware of any objections having been posed and we'd ask the Court to -- we rest on the tentative and ask the Court to grant the motion.

THE COURT: Very well. No objection was received by the Court. The motion is granted pursuant to the tentative.

MR. MAIZEL: Your Honor, that's all the matters that are on calendar and that's all the matters the debtor is aware of. The next hearing is scheduled for October 3rd. Well, I apologize. There's a hearing next week --

THE COURT: Right.

MR. MAIZEL: -- with regard to the adversary proceeding. Again, I expect that to be settled beforehand. The next hearing is October 3rd.

THE COURT: I appreciate it. I appreciate the cooperation of all counsel here and in telephone and I look forward to working with you in the disposition of the case.

Anything else? All right. Good afternoon.

MR. MAIZEL: Yep. Thank you, Your Honor.

ATTORNEYS: Thank you.

(End at 1:22 p.m.)

* * * * * * *

I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter.

_____ Date: 9/23/2018

RUTH ANN HAGER, C.E.T.**D-641

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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession.	Lead Case No. 2:18-bk-20151-ER 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-20181-ER Chapter 11 Cases Hon. Ernest M. Robles
☒ Affects All Debtors[1] ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose	**MCKESSON CORPORATION'S OPPOSITION TO EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS**

[1] McKesson is the only pre-petition secured creditor against Verity Medical Foundation (Case No. 2:18-bk-20169) (the "VMF Case"). McKesson does not have secured claims against the other Debtors. Still, based upon provisions in the DIP Motion seeking to prime McKesson's security interest and cross-collateralize all of the Debtors' assets in favor of a DIP lender and certain pre-petition secured creditors (giving them adequate protection in McKesson's unique and separate collateral), McKesson files this opposition as affecting "All Debtors."

Dialysis, LLC	**(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; DECLARATION OF BRYAN THOMPSON IN SUPPORT THEREOF** Date: October 3, 2018 Time: 10:00 a.m. Place: Courtroom 1568

TO THE HONORABLE ERNEST M. ROBLES, UNITED STATES BANKRUPTCY JUDGE, AND ALL INTERESTED PARTIES:

Secured Creditor McKesson Corporation ("McKesson") hereby opposes the Emergency Motion of Debtors for Interim and Final Orders (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 [Joint Docket No. 31] (the "DIP Motion") and represents as follows:

I. INTRODUCTION

Debtors filed voluntary chapter 11 bankruptcy petitions on August 31, 2018, together with a list of consolidated creditors and several emergency/first-day motions, including the DIP Motion. One of the Debtors is Verity Medical Foundation ("VMF"). VMF is a medical foundation that manages approximately 100 physicians and other healthcare professionals throughout California.

The bankruptcy petition for VMF lists approximately $26.95 million in total assets against almost $17.59 million in liabilities. [VMF Docket No. 1.] Meanwhile, the list of consolidated creditors shows "McKesson Corporation," on a consolidated basis, with an "unsecured claim" of just over $2 million. Unrevealed by any of the Debtors' lists or pleadings is McKesson's broad perfected security interest in VMF's assets, which *secures* prepetition claims totaling over $3.045 million.

The Court approved the DIP Motion on an interim basis on September 6, 2018 [Joint Docket No. 86] (the "Interim DIP Order"), which order specifically referenced and was expressly based upon: (a) the Debtors' representations in the DIP Motion, (b) the "record before this Court with respect to the DIP Motion," and (c) "the consent of the Debtors, **the Prepetition Secured Creditors** [***omitting McKesson***] and the DIP Lender to the form and entry of this Interim Order." (Interim DIP Order at 11:10-13 (emphasis added).) The Court was never informed of the true nature and extent of McKesson's security interest. Such omissions make it impossible to satisfy the express condition precedent to any post-petition financing under 11 U.S.C. § 364(d)(1): requiring notice to *all* secured parties and authorizing a senior or equal lien on property of the

estate "***only if***…(B) there is adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted."

McKesson has informally reviewed the substance of this Opposition with Debtors' counsel and will continue to do so in hopes of reaching a resolution to allow Debtors' operations and intended financing to continue uninterrupted, while also providing McKesson with the adequate protection required for post-petition financing under the Bankruptcy Code.

II. FACTUAL SUMMARY

McKesson Corporation (NYSE: MCK) is the largest health-care related company in the world, with numerous subsidiaries and affiliates that include McKesson Specialty Care Distribution Corporation ("McKesson Specialty") and McKesson Medical-Surgical, Inc. ("Med-Surg"). McKesson Specialty provides specialty pharmaceutical products, which are typically high cost, high complexity, and/or high touch drugs, while Med-Surg provides medical-surgical products to a myriad of healthcare-related businesses, including VMF and the physician practices it manages. Specialty pharmaceuticals include drugs requiring special handling and biologics and are used to treat complex or rare chronic conditions such as cancer, rheumatoid arthritis, and hemophilia. (*See* Declaration of Bryan Thompson ("Thompson Decl.") at ¶ 4.) Here, VMF (*f/k/a* DHS Medical Foundation) entered into various agreements with McKesson Specialty and OnMark, Inc. ("OnMark"), a McKesson subsidiary, in early 2014 for certain hematology oncology drugs and other pharmaceuticals needed by certain of the physicians whose practices are managed by VMF.[2] These agreements were all signed by Ernie Wallerstein, VMF's then Chief Executive Officer. (*Id.* at ¶ 5.)

As confirmed by the Declaration of Richard G. Adcock in support of Debtors' Emergency First-Day Motions [Joint Docket No. 8], VMF is "a medical foundation" that "contracts with

[2] OnMark is a group purchasing organization ("GPO") that helps healthcare providers—such as hospitals and physicians—realize savings and efficiencies by aggregating purchasing volume and using that leverage to negotiate discounts with manufacturers, distributors, and other product vendors. In the US healthcare industry, GPOs do not purchase or buy any products. Instead, they negotiate contracts that healthcare providers can use when making their own purchases. Such is the case between OnMark/McKesson Specialty and the Debtors (through VMF). In order to enjoy the savings and efficiencies underlying the OnMark/McKesson Specialty GPO, VMF is obligated to (1) purchase substantially all specialty pharmaceutical products from either McKesson Specialty or designated manufacturers (such as Amgen and Sanofi-Aventis) and (2) satisfy all of its payment obligations to McKesson Specialty and these designated manufacturers. (*Id.*, ¶ 6 .)

physicians and other healthcare professionals to provide high quality, compassionate, patient-centered care to individuals and families throughout California." [Joint Docket No. 8 at 5:10-21; 30-31.] VMF has contracts with "more than 100 primary care and specialty physicians" to offer "medical, surgical and related healthcare services for people of all ages" and holds "long-term professional services agreements" with numerous medical groups. (*Id.*) VMF manages the following medical groups (with corresponding number of clinics): San Jose Medical Group (8 clinics); Breastlink (4 clinics), Verity Medical Group (15 clinics), Soar Medical Group (3 clinics), Hunt Medical Group (1 clinic), All Care Medical Group (1 clinic), and Center for Life Children's Medical (1 clinic). In short, VMF purchases pharmaceuticals from McKesson Specialty/OnMark and medical-surgical products from Med-Surg to support the many doctors and patients within VMF's medical network.

In March 2018, VMF granted "McKesson Corporation, for itself and as agent for its affiliates, a security interest in all of [VMF]'s personal property, whether now owned or hereafter acquired, including, without limitation, all Accounts, Cash, Chattel Paper, Deposit Accounts, Documents, Equipment, General Intangibles, Goods, Health Care Insurance Receivables, instruments, inventory, Investment Property, Letter-of-Credit Rights and promissory notes, together with all attachments, replacements, substitutions, additions and accessions, and all Proceeds and products thereof and all books and records relating to any of the foregoing (collectively, the 'Collateral')."[3] (Thompson Decl., Ex. 1.)

McKesson properly perfected its security interest in and to the Collateral via a UCC Financing Statement filed with the California Secretary of State against VMF. (*Id.*, Ex. 2.) Public records confirm that VMF is a California entity. (*Id.*, Ex. 3.) Per a UCC search, excepting interests of lessors in specific leased property, **McKesson is the first and only prepetition secured creditor in the Collateral or VMF's assets.** (*Id.*, Ex. 4.)

The Debtors' consolidated list of creditors lists "McKesson Corporation" with unsecured trade claims of $2,094,790 [VMF Docket No. 1]. Following internal review, however, McKesson

[3] While McKesson does not have a deposit account control agreement, the Collateral expressly covers all "Proceeds and products" for each of the categories listed. In other words, all proceeds of the Collateral are included within the Collateral.

provided to Debtors' counsel information and documents confirming McKesson's security interest, perfection, and debt totaling over $3.045 million.[4] (Thompson Decl., Exs. 1-6.)

The DIP Motion does not address (or mention) McKesson's security interest in VMF's assets. [Joint Docket No. 31.] Consequently, the Interim DIP Order does not adequately protect McKesson's security interest or comply with the required condition precedent to post-petition financing under 11 U.S.C. § 364(d)(1)(B). Instead, the Interim DIP Order was premised upon the "record before this Court" and alleged "consent" from **all** affected secured parties. But McKesson never gave any consent for the Interim Order. (Thompson Decl., ¶ 11.) Notably, the Interim DIP Order expressly (1) reserved rights "of all parties in interest to object to the terms of the Final Order, the DIP Credit Agreement and any other DIP Financing Agreements at the Final Hearing" and (2) clarified that the "Interim Order shall remain in full force and effect **except as specifically amended or modified at such Final Hearing**." (Interim DIP Order at 34:24-26 and 36:24-25 (emphasis added).)

III. ARGUMENT

A. Debtors Neither Address Nor Protect McKesson's Security Interest

Section 364(d) of the Bankruptcy Code provides:

> (1) The court, **after notice** and a hearing, **may authorize** the obtaining of credit or the incurring of debt secured by a senior or equal lien on property of the estate that is the subject to a lien ***only if***—
>
> (A) the trustee is unable to obtain such credit otherwise; and
>
> (B) **there is adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted**.
>
> (2) In any hearing under this subsection, **the trustee has the burden of proof on the issue of adequate protection**.

11 U.S.C. § 362(d) (emphasis added).

[4] This amount does not include post-petition attorneys' fees and costs, which McKesson, as an oversecured creditor, is entitled to recover. As set forth in the Customer Application, "[VMF] agrees to pay all reasonable attorney fees and expenses or cost incurred by McKesson in enforcing its rights to collect accounts due from Customer." (Thompson Decl., Ex. 1.)

Nonconsensual lien priming is considered extraordinary and allowed only as a "last resort." *See, e.g., In re YL W. 87th Holdings I LLC*, 423 B.R. 421, 441 (Bankr. S.D.N.Y. 2010) ("[G]ranting post-petition financing on a priming basis is extraordinary and is allowed only as a last resort"]; and *In re Mosello*, 195 B.R. 277, 289 (Bankr. S.D.N.Y. 1996) ["Given the fact that super priority financing displaces liens on which creditors have relied in extending credit, a court that is asked to authorize such financing must be particularly cautious when assessing whether the creditors so displaced are adequately protected"] citing *In re First South Savings Assoc.*, 820 F.2d 700, 710 (5th Cir. 1987). As one bankruptcy court aptly noted concerning the rigidity of the Bankruptcy Code in this area:

> The language of § 364(d)(1)(B) of the Bankruptcy Code could not be any plainer: there can be no 'superpriority' lien unless 'there is adequate protection of the interest of the holder of the [prior] lien…' 11 U.S.C. § 364(d)(1)(B). The legislative history for this section offers no elaboration or alternative interpretation of this clear and direct language.

In re T.M. Sweeney & Sons LTL Servs., Inc., 131 B.R. 984, 990 (Bankr. N.D. Ill. 1991).

Given such clear directives, the burden of proof on the issue of adequate protection falls squarely upon the trustee or debtor in possession. *See* 11 U.S.C. § 364(d)(1)(B) [placing the burden of proof on the issue of adequate protection on the debtor/trustee] and *Resolution Trust Corp. v. Swedeland Dev. Group, Inc.* (*In re Swedeland Dev. Group, Inc.*), 16 F.3d 552, 564 (3d Cir. 1994) ["A debtor has the burden to establish that the holder of the lien to be subordinated has adequate protection"]. The purposes for requiring adequate protection include: (1) "to insure that the creditor receives the value for which he bargained prebankruptcy" and (2) "to safeguard the creditor from diminution in value of its interest during the Chapter 11 reorganization." *In re Mosello*, 195 B.R. at 288. "In other words, the proposal should provide the pre-petition secured creditor with the same level of protection it would have had if there had not been post-petition superpriority financing." *Id.* (internal citation omitted).

Critically then, a finding of adequate protection requires accurate facts and a firm evidentiary record. *Id.* at 292. Speculative benefits are completely insufficient and illusory protections will not considered. *See, e.g., In re Den-Mark Constr., Inc.*, 406 B.R. 683, 702

(E.D.N.C. 2009) [vacating bankruptcy court's approval of the debtor's priming DIP loan for lack of adequate protection of the secured creditor's interest where the equity cushion was small and "the enhancement of value is too speculative"]; and *In re Chevy Devco*, 78 B.R. 585, 589 (Bankr. C.D. Cal. 1987) [holding that existing mortgagee would not be adequately protected by a new construction loan and superpriority lien where the potential success of the renovation project was too speculative]. Speculative protections are particularly insufficient where the debtor has a history of losses, there is no showing as to how the proposed loan will change such circumstances, or it is likely the debtor will default on its obligations to its DIP lender. *See, e.g., In re Stoney Creek Techs., LLC,* 364 B.R. 882, 891-93 (Bankr. E.D. Pa. 2007).

Here, Debtors do not address—let alone mention—McKesson's valid, unavoidable, and properly-perfected security interest against VMF's assets. Instead, Debtors unwittingly ask the Court to prime McKesson's senior security interest in assets listed at roughly $27 million with $185 million in DIP financing and many more millions in claims by "Prepetition Secured Creditors"—***none of which had any prepetition security interests in VMF's assets***. As explained above, however, Debtors cannot meet their burden for providing McKesson with adequate protection (as completely unaddressed in the DIP Motion), nor may the Court authorize post-petition financing that violates the express condition precedent required under section 364(d) for ensuring adequate protection for all security interests. Barring McKesson's consent or a finding of adequate protection, as to VMF, the DIP Motion must be denied and the Interim DIP Order must be revised consistent with the facts and a complete evidentiary record.

B. McKesson Has Not Waived—and Cannot Waive—Its Right to Oppose

To the extent Debtors attempt to prejudice McKesson's rights under the Interim DIP Order, such efforts are unfounded and unavailing. For starters, a court may void any order that is inconsistent with due process of law. *See, e.g., In re Center Wholesale, Inc.*, 759 F.2d 1440, 1450 (9th Cir. 1985) [modifying cash collateral order for failing to give notice to secured party]. A debtor's failure to give a secured party sufficient notice when altering that secured party's rights in property is such a violation of due process. *See Id.* at 1448-50 and *In re Blumer*, 66 B.R. 109, 113-14 (9th Cir. BAP 1986) [failure to provide notice to lienholder is an unconstitutional

violation of due process and the Fifth Amendment] *aff'd without opinion*, 826 F.2d 1069 (9th Cir. 1987). Specifically, a debtor must inform all secured parties that a motion or stipulation may affect such lienholders' rights. *Id.* And even in cases where a lienholder fails to object, debtors and the courts are not relieved of their independent duties under section 364(d) of the Bankruptcy Code, which specifically requires as a condition precedent that debtors establish adequate protection. *See, e.g., In re T.M. Sweeney & Sons LTL Servs., Inc.*, 131 B.R. at 984, 990-91.

Here, Debtors never alerted the Court or McKesson that the DIP Motion sought to impact McKesson's secured rights in VMF's assets. Instead, Debtors listed McKesson's claims as "unsecured" in their consolidated list of creditors and failed to mention McKesson at all in their DIP Motion. Ultimately, the DIP Motion impermissibly attempts to prime McKesson's first (and only) prepetition security interest in VMF's assets (valued by VMF at roughly $27 million) with hundreds of millions in senior secured financing and without any adequate protection to McKesson. This cannot be.

IV. CONCLUSION

Debtors overlooked McKesson's security interest in filing these cases and cannot now force McKesson to accept something far less than what the Bankruptcy Code requires. Barring McKesson's consent or a finding of adequate protection, the DIP Motion must be denied and the Interim DIP Order must be revised consistent with the facts and a complete evidentiary record. Again, McKesson is committed to exploring a consensual resolution of all these matters before the Final Hearing.

DATED: September 24, 2018

BUCHALTER, PC

By: */s/ Jeffrey K. Garfinkle*
JEFFREY K. GARFINKLE
Attorneys for McKesson Corporation

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: Buchalter, 18400 Von Karman Avenue, Suite 800, Irvine, CA 92612

A true and correct copy of the foregoing document entitled (*specify*): MCKESSON CORPORATION'S OPPOSITION TO EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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; DECLARATION OF BRYAN THOMPSON IN SUPPORT THEREOF

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*) September 24, 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*) September 24, 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*) September 24, 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.

SERVED BY PERSONAL DELIVERY
Honorable Ernest M. Robles
United States Bankruptcy Court
Edward R. Roybal Federal Building and Courthouse
255 E. Temple Street, Suite 1560 / Courtroom 1568
Los Angeles, CA 90012

☐ 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.

September 24, 2018	Danielle Cyrankowski	/s/ Danielle Cyrankowski
Date	*Printed Name*	*Signature*

TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):

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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession.	Lead Case No. 2:18-bk-20151-ER 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-20181-ER Chapter 11 Cases Hon. Ernest M. Robles
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC	**DECLARATION OF BRYAN THOMPSON IN SUPPORT OF MCKESSON CORPORATION'S OPPOSITION TO EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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

Date: October 3, 2018
Time: 10:00 a.m.
Place: Courtroom 1568

I, Bryan B. Thompson, declare and state as follows:

1. As to the following facts, I know them to be true of my own knowledge or I have gained knowledge of such facts from my review of books, files, and records of McKesson Corporation (together with its affiliates and subsidiaries, "McKesson") and, if sworn as a witness, I could and would testify competently to the truth thereof.

2. I am the FSG-Finance Operations Manager for McKesson Specialty Care Distribution Corporation (*d/b/a* McKesson Specialty Health) ("McKesson Specialty") and am part of McKesson's global team that supervises credit relationships across all of McKesson's business units, including McKesson Specialty and McKesson Medical-Surgical, Inc. ("McKesson Med-Surg"). In my capacity as FSG-Finance Operations Manager, I am one of the custodians of records for the documents attached to this Declaration. I state that the writings contained in McKesson's books, records, files and accounting ledgers are made at or near the time that an act, condition or event occurs and that such records are maintained in the ordinary course of McKesson's business.

3. In the ordinary course of its business, McKesson maintains written records of all services and product given to customers, payments made by customers on account, interest and charges of the balance owing. This information is maintained and retrieved from computers that are programmed for the above purposes. From my review of McKesson's books and records relating to agreements between Verified Medical Foundation ("VMF") and McKesson, I state that on or about the dates any services and/or product were given to VMF, employees of McKesson who act under McKesson's normal operating procedures made a written record of the amount of those services and/or products. In the normal course of McKesson's business, employees also make a computerized record on or near the date any payment is received from a customer and credits the same amount against the amounts due and owing under the particular agreement with that customer. I have reviewed McKesson's customer file with respect to the matters contained herein. I make this declaration in support of McKesson's Opposition to Emergency Motion of Debtors for Interim and Final Orders (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 (the "Opposition").[1]

4. McKesson Specialty provides specialty pharmaceutical products, which are typically high cost, high complexity, and/or high touch drugs, while Med-Surg provides medical-surgical products to a myriad of healthcare-related businesses, including VMF and the physician practices it manages. Specialty pharmaceuticals include drugs requiring special handling and biologics and are used to treat complex or rare chronic conditions such as cancer, rheumatoid arthritis, and hemophilia.

5. Here, VMF (*f/k/a* DHS Medical Foundation) entered into various agreements with McKesson Specialty and OnMark, Inc. ("OnMark"), a McKesson subsidiary, in early 2014 for certain hematology oncology drugs and other pharmaceuticals needed by certain of the physicians whose practices are managed by VMF. These agreements were all signed by Ernie Wallerstein, VMF's then Chief Executive Officer.

6. OnMark is a group purchasing organization ("GPO") that helps healthcare providers—such as hospitals and physicians—realize savings and efficiencies by aggregating purchasing volume and using that leverage to negotiate discounts with manufacturers, distributors, and other product vendors. In the US healthcare industry, GPOs do not purchase or buy any products. Instead, they negotiate contracts that healthcare providers can use when making their own purchases. Such is the case between OnMark/McKesson Specialty and VMF and the physician practices managed by VMF. In order to enjoy the savings and efficiencies underlying the OnMark/McKesson Specialty GPO, VMF and the physician practices managed by VMF are obligated to (1) purchase substantially all specialty pharmaceutical products from either McKesson Specialty or designated manufacturers (such as Amgen and Sanofi-Aventis) and (2) satisfy all of payment obligations to McKesson Specialty and these designated manufacturers.

7. In March 2018, VMF granted "McKesson Corporation, for itself and as agent for its affiliates, a security interest in all of [VMF]'s personal property, whether now owned or hereafter acquired, including, without limitation, all Accounts, Cash, Chattel Paper, Deposit

[1] Any capitalized terms that are used but not defined herein have the meaning given them in the Opposition.

Accounts, Documents, Equipment, General Intangibles, Goods, Health Care Insurance Receivables, instruments, inventory, Investment Property, Letter-of-Credit Rights and promissory notes, together with all attachments, replacements, substitutions, additions and accessions, and all Proceeds and products thereof and all books and records relating to any of the foregoing (collectively, the 'Collateral')." Attached hereto as **Exhibit 1** is a true and correct copy of VMF's application and security grant to McKesson.

8. McKesson perfected its security interest in and to the Collateral via UCC Financing Statements filed with the California Secretary of State against VMF. Attached hereto as **Exhibit 2** is a true and correct copy of the filed UCC Financing Statements obtained from McKesson's books and records.

9. At McKesson's direction, its counsel obtained both (a) public records showing that VMF is a California entity and (b) a UCC search confirming that, excepting interests of lessors in specific leased property, McKesson is the first and only prepetition secured creditor in the Collateral or VMF's assets. Attached hereto as **Exhibits 3** and **4**, respectively, are each of these documents obtained through counsel.

10. McKesson provided the Debtors and its counsel with information and documents confirming McKesson's security interest, perfection, and debt totaling over $3.045 million spreadsheets. Attached hereto as **Exhibits 5** and **6** are excel spreadsheets confirming amounts owed by VMF to McKesson Specialty and McKesson Med-Surg, respectively. I understand Debtors have independent access to this information (through shared computer systems) and do not contest these amounts.

11. Prior the filing of these bankruptcy cases, VMF and the other Debtors did not contact McKesson about the bankruptcy filing, the proposed DIP financing, or the treatment of other secured creditors in these cases. McKesson did not and does not consent to the DIP Motion or the Interim DIP Order.

12. Since shortly after these bankruptcy cases began, McKesson has engaged in discussions with Debtors (but not with the other secured parties). McKesson is committed to exploring a consensual resolution of all these matters before the Final Hearing.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct. Executed on September 18, 2018 at LaVergne, Tennessee.

Bryan B. Thompson

09.17.2018

EXHIBIT 1

EXHIBIT 1

Brandes.Moore@mckesson.com

McKESSON
Empowering Healthcare

McKesson Corporation and its affiliated companies (collectively referred to as "McKesson")

CUSTOMER APPLICATION
(Please print in block letters)

FAX TO: _____

CDG1-F V08-13

Type of Business: ☐ Acute ☐ Primary Care ☐ Specialty ☐ Home Health ☐ Extended ☐ Long Term ☐ Pharmacy ☐ Closed Door ☐ Mail Order ☐ Supplier ☐ Other _____

Verity Medical Foundation			45-3691852
Legal Company Name	Website Address		Federal Tax ID / EIN
400 Race St., Suite 100	San Jose	CA	95126
Legal Address (Main Office)	City	State	Zip
Kristin Sanderson	Purchasing Manager		408 278 3163
Contact Name we may call for questions regarding this application	Title		Phone
Billing / Statement Address (if different than Main Office)	City	State	Zip
Jenny Tung	408 278 3219	408 278 3191	accountspayable@veritymed.org
Accounts Payable Contact Person	Accounts Payable Telephone	Accounts Payable Fax	Accounts Payable Email

Shipping Information: "McKesson Specialty" invoices will be sent to Billing Address unless indicated ☐ Ship-to

Breastlink Laguna Hills	$ 1M	$ 250000	50
DBA or Business Trade Name of Account	Estimated Monthly Purchases	Initial Order	Number of Employees
See attached	Laguna Hills	CA	95126
Ship to Address	City	State	Zip
Rena Munoz	949 770 0797		renamunoz@veritymed.org
Shipping Contact Person	Shipping Contact Telephone	Shipping Contact Fax	Shipping Contact Email

1985 — YEAR established; 2018 — YEAR Current Ownership; CA — State Org

Has applicant, applicant's parent or affiliates ever filed for bankruptcy? ☑ No ☐ Yes, attach explanation

Ownership Type: ☐ Proprietorship ☐ Partnership ☐ Limited Partnership ☐ Limited Liability Company ☐ Private Corp ☐ Public Corp ☐ Professional Corp ☐ Non-Profit Corp ☐ Government

Principal Owner(s) or Stockholder(s)	% Ownership(s)	Social Security Number(s)

NAME OF CONTROLLING ENTITY (if any)	Applicant's relationship to controlling entity	Phone
Address of Controlling Entity	City	State / Zip

REFERENCES:

Wells Fargo	121000248	Kaylin Tabb	408 277 6709
Primary Bank/Financial Institution	Account Number	Contact Name	Phone
McKesson Medical Surgical	3754393	Brad Jacob	800 933 4633 x 8243
Primary Supply Provider	Account Number	Contact Name	Phone
Primary Technology Provider	Account Number	Contact Name	Phone

Additional Information Required (if applicable, please attach these documents to this application):
- ☐ Copy of Resale/Tax Exemption Certificate
- ☐ Copy of DEA Registration, State Pharmacy License, or Medical License
- ☐ Copies of 3 most recent and consecutive primary supplier statements
- ☐ Annual Financial Statements for the past 2 years (including balance sheet, income statement, and cash flow statements)

FL0837407 — DEA# ; HIN ; G25774 — Medical License # State

This section applies to all "MCKESSON SPECIALTY DISTRIBUTION LLC, MCKESSON SPECIALTY CARE DISTRIBUTION CORPORATION" accounts only

Customer agrees to abide by, and acknowledges having received and reviewed, McKesson's Returns Policy (including reporting to McKesson all claims for damaged or missing product within 48 hours of receipt of goods). Price billed is the current price in effect at the time of item shipment. Customer hereby consents to allow McKesson to share information contained in the Customer Application and other related information, including without limitation payment history and credit status, with the manufacturers of certain specialty pharmaceutical products (if such products are purchased by Customer through McKesson) and affiliates of such manufacturers. A list of the manufacturers to which McKesson currently provides information is available from McKesson on request.

This section applies to all accounts with MCKESSON CORPORATION and its affiliated companies ("McKesson")

Customer agrees to abide by (I) standard terms of sale provided or made available by McKesson and/or shown on McKesson's invoices or statements and (II) any written agreement or terms of sale with McKesson governing Customer's account. Customer agrees to pay for all purchases, fees and other charges incurred by Customer or an authorized user on any account of Customer, including service charges on past due amounts at the highest rate permitted by law (including purchases shipped and/or billed to a third-party agent on behalf of Customer). Any payment made after the net due date shall result in the loss of any prompt cash payment discount specified on the related invoice or statement and Customer shall pay the gross amount plus any applicable service charges. Without limiting McKesson's other legal rights, McKesson may exercise a right of set-off against amounts due Customer from McKesson Corporation or any of its affiliates. McKesson reserves the right, in its sole discretion, to change a payment term (including imposing cash payment upon delivery), to limit total credit and/or to suspend or discontinue the shipment of any orders to Customer if McKesson concludes that (I) there has been a material adverse change in the Customer's financial condition or payment performance or (II) Customer has ceased or is likely to cease to meet McKesson's credit requirements.

Customer represents that it is entitled to discounted prices from manufacturers as it has notified McKesson ("Contract Prices"). In consideration of McKesson allowing Customer to purchase products at Contract Prices, Customer represents that McKesson will be paid by the appropriate manufacturer the difference between McKesson's acquisition price and the Contract Price ("Chargeback") and Customer will be liable to McKesson for any unpaid Chargeback if any manufacturer (I) denies a Chargeback for any reason, (II) makes an assignment for the benefit of creditors, files a petition in bankruptcy, is adjudicated insolvent or bankrupt, or if a receiver or trustee is appointed with respect to a substantial part of its property or a proceeding is begun which will substantially impair its ability to pay Chargebacks or (III) fails to pay McKesson Chargebacks for any reason other than McKesson's gross negligence.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating due to race, color, religion, national origin, sex, marital status, age; or because all or part of the Customer's income is from any public assistance program; or the Customer, in good faith, exercises any right under the Consumer Credit Protection Act. The Federal Trade Commission, Equal Credit Opportunity, Washington, DC 20580 administers compliance with this law. Customer represents and warrants that Customer has read and understands this form and has reviewed the information provided in its entirety, including responses completed for Customer by a McKesson representative, and that all information is complete and correct. Customer agrees that McKesson will be relying on such information and will notify McKesson of any material changes to such information.

Customer agrees to provide McKesson with financial statements upon request. Customer authorizes McKesson, its employees, representatives, and agents to (I) investigate information provided and Customer's credit, financial and banking records, (II) obtain Customer's credit bureau report and (III) share with its affiliates experiential and transactional information regarding Customer and Customer's account. McKesson is authorized to retain information obtained as part of the application process whether or not the requested account and/or credit is granted. Customer agrees to pay all reasonable attorney fees and expenses or cost incurred by McKesson in enforcing its rights to collect amounts due from Customer. This form and any account opened in favor of Customer are subject to credit approval by McKesson.

By signing below, the undersigned authorized McKesson to order a consumer report related to the business principal(s) to determine credit eligibility.

Roger Wiseman	Roger Wiseman	CFO	03/27/18
Authorized Signature	Print Name	Title	Date

(This form must be signed by a Corporate Officer, Partner, Owner or Authorized Agent)

Brandes.Mooree@mckesson.com

McKESSON
Empowering Healthcare

McKesson Corporation and its Affiliated Companies (collectively referred to as "McKesson")
TERMS AND CONDITIONS

FAX TO: _____

COM3-9 V08-13

Customer Legal Name: Verity Medical Foundation
Customer DBA Name: _____
Address: _____
City: _____ State: _____ Zip: _____

CUSTOMER SET UP & AUTHORIZATION FOR ACH (electronic payment)

Bank Name: Wells Fargo
Bank Transit ABA#: _____
Bank Adress: PO Box 63020
Bank Account #: 4123419996
City: San Francisco State: CA Zip: 94163
Bank Phone Number: 408 277 6709

ACH preference: Check ONE: ☐ Direct Debit ☐ Online Payment
Statement-delivery preference: Check ONE: ☐ Email ☐ Fax
Authorized Contact Name: Jenny Tung
Phone: 408 278 3219 Fax: _____
Email: jennytung@veritymed.org
Alternate Contact Name/Phone: accountspayable@veritymed.org

********** IMPORTANT: Please attach a copy of a voided check **********

Customer authorizes McKesson Corporation and its affiliates (collectively referred to as "McKesson") to initiate debit entries from Customer's account indicated above and Customer authorizes the financial institution named above (the "Institution"), to debit the same such account. Authority to initiate debit entries shall remain in full force and effect until McKesson and Institution have received written notice from Customer of its termination of such authorization. Customer understands that Customer has the legal right to stop payment of a debit entry by notification to Institution; provided, prior to such action, Customer shall give McKesson sufficient written notice to permit McKesson to take any necessary actions to avoid disruptions in payments from Customer.

Customer agrees to pay for all purchases, fees and other charges incurred by Customer or an authorized user on any account of Customer, including service charges on past due amounts at the highest rate permitted by law (including purchases shipped and/or billed to a third-party agent on behalf of Customer). Without limiting McKesson's other legal rights, McKesson may exercise a right of set-off against amounts due Customer from McKesson Corporation or any of its affiliates. McKesson reserves the right, in its sole discretion, to change a payment term (including imposing cash payment upon delivery), to limit total credit and/or to suspend or discontinue the shipment of any orders to Customer if McKesson concludes that (I) there has been a material change in the Customer's financial condition or payment performance or (II) Customer has ceased or is likely to cease to meet McKesson's credit requirements.

AUTHORIZED SIGNATURE	Roger Wiseman	CFO	03/27/2018
(This section must be signed by a Corporate Officer, Partner, or Authorized Agent)	Print Name	Title	Date

This section applies to all "MCKESSON SPECIALTY DISTRIBUTION LLC, MCKESSON SPECIALTY CARE DISTRIBUTION CORPORATION" accounts only

Please select one: ☐ 2 day cash payment terms: Invoices are due 2 days after invoice date via ACH (Direct Debit Required)
☐ 15 day cash payment terms: Invoices are due 15 days after invoice date via ACH
☐ 30 day cash payment terms: Invoices are due 30 days after invoice date via ACH
☐ Other _____

Security Interest: In order to secure timely and full payment and performance of all present and future obligations of Customer to McKesson Corporation and its affiliates (collectively referred to as "McKesson") (all collectively referred to as the "Obligations"), including, without limitation, all promissory notes, direct loans or sales on credit, Customer hereby grants to McKesson Corporation, for itself and as agent for its affiliates, a security interest in all of Customer's personal property, whether now owned and hereafter acquired, including, without limitation, all Accounts, Cash, Chattel Paper, Deposit Accounts, Documents, Equipment, General Intangibles, Goods, Health Care Insurance Receivables, Instruments, Inventory, Investment Property, Letter-of-Credit Rights and promissory notes, together with all attachments, replacements, substitutions, additions and accessions, and all Proceeds and products thereof and all books and records relating to any of the foregoing (collectively, the "Collateral"). Capitalized terms used herein that constitute Collateral shall have the meanings given to such terms under the California Uniform Commercial Code. All items of Collateral shall remain personal property and shall not become part of any real estate regardless of the manner of affixation. This security interest shall continue in effect irrespective of any retaking and redelivery of Collateral to Customer until all Obligations are fully paid in cash. The security interest granted hereby shall be deemed to constitute a purchase money security interest in any and all Collateral (including, without limitation, all Goods, Inventory and Equipment) purchased by Customer either directly from McKesson (thereby securing payment of the purchase price) or from a third party using proceeds of loans or advances made by McKesson (thereby securing repayment of such loans or advances). Customer authorizes McKesson to send notices to any other persons claiming a security interest in any of the Collateral. By its signature below, Customer acknowledges that McKesson shall file a UCC-1 financing statement with the applicable state agency in order to perfect the security interested granted hereby.

AUTHORIZED SIGNATURE	Roger Wiseman	CFO	03/27/2018
(This section must be signed by a Corporate Officer, Partner, or Authorized Agent)	Print Name	Title	Date

Guaranty: The undersigned (individually or collectively, the "Guarantor") hereby jointly and severally guarantees to McKesson Corporation and its affiliates (collectively referred to as "McKesson") that Customer will fully and promptly perform and pay all its present and future obligations to McKesson, whether direct or indirect, joint or several, absolute or contingent, secured or unsecured, matured or unmatured, and whether originally contracted with McKesson or otherwise acquired by McKesson. This guaranty applies to all of Customer's obligations to McKesson, even if such obligations are invalid or unenforceable against Customer for any reason and even if any security for such obligations is insufficient, invalid, unenforceable or not perfected. This guaranty is an absolute and unconditional guaranty of payment. It is a continuing guaranty and covers any future extensions of credit by McKesson to Customer. This guaranty is a guaranty of payment when due and not merely of collectability after judgment or other action against Customer.

McKesson may at any time, without Guarantor's consent, without notice to Guarantor and without affecting or impairing Guarantor's obligations under this guaranty, do any of the following: (I) renew, modify (including any increase or decrease in the rate of interest), or extend any obligations of Customer or co-guarantors (whether hereunder or under a separate agreement) or of any other party at any time directly or contingently liable for the payment of any of Customer's obligations; (II) enter into additional extensions of credit to Customer; (III) accept partial payments of Customer's obligations; (IV) settle, release (by operation of law or otherwise), compound, compromise, collect or liquidate any of Customer's obligations and the security therefore in any manner; (V) consent to the transfer of security; or (VI) bid and purchase at any sale of security. Guarantor agrees, without McKesson first having to proceed against Customer or any security held by McKesson, to pay on demand (I) all sums due and to become due to McKesson from Customer and (II) all losses, costs, attorney's fees or expenses which may be suffered by McKesson by reason of Customer's default on its obligations or Guarantor's default under this guaranty. Guarantor agrees to pay on demand any deficiency resulting from a sale of security held by McKesson even if the sale is made without notice to Guarantor. Guarantor's obligations under this guaranty are independent of and separate from the obligations of Customer. Upon the occurrence and during the continuance of any default by Customer, McKesson can sue any Guarantor separately from Customer, whether or not McKesson sues Customer in such lawsuit and whether or not McKesson sues Customer in a separate lawsuit. If McKesson elects to proceed with any course of action under this guaranty or against Customer, that election shall not preclude McKesson from taking any other course of action. This guaranty shall not be affected by any termination or change in the relationship between Guarantor and Customer. Guarantor assumes all responsibility for keeping informed of (I) Customer's financial condition and assets, (II) all other circumstances bearing upon the risk of nonpayment of Customer's obligations to McKesson and (III) the nature, scope and extent of the risks which Guarantor assumes and incurs under this guaranty. Guarantor agrees that McKesson shall have no duty to advise Guarantor of information known to McKesson regarding such circumstances or risks. Guarantor waives (I) notice of McKesson's acceptance of this guaranty, (II) presentment, demand, protest and notice of non-payment or protest as to any note or obligation signed, accepted, endorsed or assigned to McKesson by Customer, (III) any other demands and notices required by law and (IV) all set-offs and counterclaims.

Name: _____ Home Address: _____ City: _____ State: _____ Zip: _____
Guarantor Signature: _____ Date: _____ SSN#: _____
(This section must be signed by an owner/principal)

Name: _____ Home Address: _____ City: _____ State: _____ Zip _____
Guarantor Signature: _____ Date: _____ SSN#: _____
(This section must be signed by an owner/principal)

EXHIBIT 2

EXHIBIT 2

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
Corporation Service Company
800-858-5294

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)
CORPORATION SERVICE COMPANY
801 ADLAI STEVENSON DRIVE
Springfield, IL 62703-4261
USA

DOCUMENT NUMBER: 68901160002
FILING NUMBER: 18-7640585206
FILING DATE: 03/28/2018 08:02

IMAGE GENERATED ELECTRONICALLY FOR XML FILING
THE ABOVE SPACE IS FOR CA FILING OFFICE USE ONLY

1. **DEBTOR'S NAME:** Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	1a. ORGANIZATION'S NAME: VERITY MEDICAL FOUNDATION				
	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS: 400 RACE STREET, SUITE 100		CITY: SAN JOSE	STATE: CA	POSTAL CODE: 95126	COUNTRY: USA

2. **DEBTOR'S NAME:** Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	2a. ORGANIZATION'S NAME				
	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

3. **SECURED PARTY'S NAME** (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

OR	3a. ORGANIZATION'S NAME: McKesson Corporation and its affiliates				
	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS: 401 Mason Road		CITY: La Vergne	STATE: TN	POSTAL CODE: 37086	COUNTRY: USA

4. **COLLATERAL:** This financing statement covers the following collateral:
All of Customer's right, title and interest in and to its personal property, whether now owned or hereafter acquired including without limitation all Accounts, Cash, Chattel Paper, Deposit Accounts, Documents, Equipment General Intangibles, Goods, Health Care Insurance
Receivables, Instruments, Inventory, Investment Property, Letter of Credit Rights and Promissory Notes, together with all attachments, replacements, substitutions, additions and accessions, all Proceeds and products thereof and all books and records relating to any of the foregoing (collectively, "Collateral").

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:
☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
[144537674]

FILING OFFICE COPY

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
Corporation Service Company
800-858-5294

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)
CORPORATION SERVICE COMPANY
801 ADLAI STEVENSON DRIVE
Springfield, IL 62703-4261
USA

DOCUMENT NUMBER: 69095930002
FILING NUMBER: 18-7641956572
FILING DATE: 04/05/2018 08:09

IMAGE GENERATED ELECTRONICALLY FOR XML FILING
THE ABOVE SPACE IS FOR CA FILING OFFICE USE ONLY

1. **DEBTOR'S NAME:** Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	1a. ORGANIZATION'S NAME: VERITY MEDICAL FOUNDATION				
	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS: 400 RACE STREET		CITY: SAN JOSE	STATE: CA	POSTAL CODE: 95126	COUNTRY: USA

2. **DEBTOR'S NAME:** Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	2a. ORGANIZATION'S NAME				
	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

3. **SECURED PARTY'S NAME** (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

OR	3a. ORGANIZATION'S NAME: McKesson Corporation and its affiliates				
	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS: 401 Mason Road		CITY: La Vergne	STATE: TN	POSTAL CODE: 37086	COUNTRY: USA

4. **COLLATERAL:** This financing statement covers the following collateral:
All assets of the Debtor, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, of every kind and description, tangible or intangible, including without limitation all accessions thereto and all products and proceeds thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:
☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
[144901233]

FILING OFFICE COPY

EXHIBIT 3

EXHIBIT 3

Alex Padilla
California Secretary of State

Business Search - Entity Detail

The California Business Search is updated daily and reflects work processed through Monday, September 17, 2018. Please refer to document **Processing Times** for the received dates of filings currently being processed. The data provided is not a complete or certified record of an entity. Not all images are available online.

C3420318 VERITY MEDICAL FOUNDATION

Registration Date:	10/26/2011
Jurisdiction:	CALIFORNIA
Entity Type:	DOMESTIC NONPROFIT
Status:	ACTIVE
Agent for Service of Process:	ALAN SEDLEY 2040 E MARIPOSA AVE EL SEGUNDO CA 95126
Entity Address:	400 RACE ST SAN JOSE CA 95126
Entity Mailing Address:	400 RACE ST SAN JOSE CA 95126

A Statement of Information is due EVERY ODD-NUMBERED year beginning five months before and through the end of October.

Document Type	File Date	PDF
SI-COMPLETE	07/25/2018	
FILING OFFICE STATEMENT	04/09/2018	
RESTATED REGISTRATION	03/23/2018	
SI-COMPLETE	01/05/2018	
RESTATED REGISTRATION	12/08/2015	
REGISTRATION	10/26/2011	

* Indicates the information is not contained in the California Secretary of State's database.

- If the status of the corporation is "Surrender," the agent for service of process is automatically revoked. Please refer to California Corporations Code **section 2114** for information relating to service upon corporations that have surrendered.

- For information on checking or reserving a name, refer to **Name Availability**.
- If the image is not available online, for information on ordering a copy refer to **Information Requests**.
- For information on ordering certificates, status reports, certified copies of documents and copies of documents not currently available in the Business Search or to request a more extensive search for records, refer to **Information Requests**.
- For help with searching an entity name, refer to **Search Tips**.
- For descriptions of the various fields and status types, refer to **Frequently Asked Questions**.

Modify Search **New Search** **Back to Search Results**

A0778082

NC70

3420318

FILED JMC / Secretary of State State of California
DEC 08 2015
lcc

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF DCHS MEDICAL FOUNDATION

The undersigned certify that:

1. They are the Chief Executive Officer and the Secretary, respectively, of DCHS Medical Foundation, a California nonprofit religious corporation (the "Corporation").

2. The Articles of Incorporation of this Corporation shall be amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.

3. The foregoing amendment and restatement of the Articles of Incorporation of this Corporation has been duly approved by the board of directors and the sole member of this corporation.

4. This corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: December 8, 2015

Steve Dalalian
Chief Executive Officer

Robert Issai
Secretary

A0778082

Exhibit A

AMENDED AND RESTATED

ARTICLES OF INCORPORATION

ARTICLE I

The name of this corporation is "Verity Medical Foundation".

ARTICLE II

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. More specifically, the purposes of this Corporation are to support, benefit and further the charitable, scientific and educational purposes of Verity Health System of California, Inc., a California nonprofit public benefit corporation ("Verity"). In furtherance of the foregoing, this Corporation may do all of the following: (1) arrange for the provision of ambulatory and other health care services, and in furtherance thereof to establish, acquire, develop, operate, lease, manage, and maintain multi-specialty ambulatory care clinics and appurtenant facilities or similar clinics described in the California Health and Safety Code Section 1206(l) and other applicable provisions of law; (2) promote and carry on scientific research and health education related to the delivery of health care services; (3) provide health care services to all persons without regard to their ability to pay; (4) participate in any activity designed and carried on to promote the general health of the communities served by Verity or any affiliates of Verity; and (5) make donations, transfer assets, and provide other forms of aid and assistance to, for the benefit of, or in connection with Verity and its affiliates. Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit Corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes, this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the "IRC"), and for scientific and charitable and educational purposes within the meaning of § 214(a)(15) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the "R&TC"). In furtherance of these purposes, this Corporation may:

(1) Promote, support and engage in any and all educational, charitable and scientific programs which are now, or may hereafter be, established by Verity.

(2) Support and foster the corporate purposes of Verity, and aid, assist and confer benefits upon Verity and its Affiliates.

(3) Cooperate with health care institutions and membership institutions of Verity in their respective efforts to promote quality service at reasonable rates;

(4) Promote cooperation and the exchange of knowledge and experience within the health system established and operated by Verity;

(5) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.

(6) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:

(a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.

(b) No substantial part, of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.

(c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or ii) by a corporation exempt from taxation under § 214 of the R&TC.

ARTICLE III

This Corporation shall have one member (the "Corporate Member"). The Corporate Member shall be Verity.

ARTICLE IV

The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes meeting the requirements of § 214 of the R&TC. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to: (a) the Corporate Member, if it is organized and operated exclusively for public and charitable purposes

and has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or if for any reason it is unable to take such assets for such purpose; (b) such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

ARTICLE V

These Articles shall be amended only upon approval by this Corporation's Board of Directors and the Corporate Member.

EXHIBIT 4

EXHIBIT 4

CSC CORPORATION SERVICE COMPANY

UCC Summary Report

Order Number: 151836769
Search Date: 9/7/2018
Account Number: 309250

801 Adlai Stevenson Drive
Springfield, IL 62703-4261

Ph: (800) 858-5294
Fx: (800) 345-6059

Subject: Verity Medical Foundation
Criteria: Verity Medical Found

Client Number: M3526
Matter Number: 0001
Cost Code: H55S

Total Records Found: 6

Results for California UCC Search By Company Name - Lapsed
Search results in this jurisdiction include UCC records, Judgment Liens, Federal Tax Liens and State Tax Liens.

Current as of: 9/4/2018

GroupID	Filing Number	Category	Filing Date	Exp Date	Debtor Name	Secured Party
0001.001	187630291865	UCC1	1/26/2018	1/26/2023	VERITY HEALTH SYSTEM OF CALIFORNIA, INC. 203 REDWOOD SHORES PARKWAY, SUITE 800 REDWOOD CITY, CA 94065	GE HFS, LLC PO BOX 414, W-490 MILWAUKEE, WI 53201
		UCC1	1/26/2018	1/26/2023	VERITY MEDICAL FOUNDATION 400 RACE STREET SAN JOSE, CA 95126	GE HFS, LLC PO BOX 414, W-490 MILWAUKEE, WI 53201
0002.001	187630292997	UCC1	1/26/2018	1/26/2023	VERITY HEALTH SYSTEM OF CALIFORNIA, INC. 203 REDWOOD SHORES PARKWAY, SUITE 800 REDWOOD CITY, CA 94065	GE HFS, LLC PO BOX 414, W-490 MILWAUKEE, WI 53201
		UCC1	1/26/2018	1/26/2023	VERITY MEDICAL FOUNDATION 400 RACE STREET SAN JOSE, CA 95126	GE HFS, LLC PO BOX 414, W-490 MILWAUKEE, WI 53201
0003.001	187640585206	UCC1	3/28/2018	3/28/2023	VERITY MEDICAL FOUNDATION 400 RACE STREET, SUITE 100 SAN JOSE, CA 95126	MCKESSON CORPORATION AND ITS AFFILIATES 401 MASON ROAD LA VERGNE, TN 37086

CSC makes no express or implied warranties, guarantees or representations related to this report's accuracy or completeness or regarding the public record data provided by its suppliers. CSC disclaims all liability for indirect, consequential, incidental or special damages related to this report. The customer's sole remedy for any error or omission is limited to a refund of the service fee.

Results for California UCC Search By Company Name - Lapsed

Subject: Verity Medical Foundation
Search Criteria: Verity Medical Found

GroupID	Filing Number	Category	Filing Date	Exp Date	Debtor Name	Secured Party
0004.001	187641956572	UCC1	4/5/2018	4/5/2023	VERITY MEDICAL FOUNDATION 400 RACE STREET SAN JOSE, CA 95126	MCKESSON CORPORATION AND ITS AFFILIATES 401 MASON ROAD LA VERGNE, TN 37086

End of Report

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
Corporation Service Company
800-858-5294

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)
CORPORATION SERVICE COMPANY
801 ADLAI STEVENSON DRIVE
Springfield, IL 62703-4261
USA

DOCUMENT NUMBER: 67417380002
FILING NUMBER: 18-7630291865
FILING DATE: 01/26/2018 08:21

IMAGE GENERATED ELECTRONICALLY FOR XML FILING
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1. **DEBTOR'S NAME:** Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	1a. ORGANIZATION'S NAME: VERITY HEALTH SYSTEM OF CALIFORNIA, INC.				
	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS: 203 REDWOOD SHORES PARKWAY, SUITE 800		CITY: REDWOOD CITY	STATE: CA	POSTAL CODE: 94065	COUNTRY: USA

2. **DEBTOR'S NAME:** Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	2a. ORGANIZATION'S NAME: VERITY MEDICAL FOUNDATION				
	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS: 400 RACE STREET		CITY: SAN JOSE	STATE: CA	POSTAL CODE: 95126	COUNTRY: USA

3. **SECURED PARTY'S NAME** (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

OR	3a. ORGANIZATION'S NAME: GE HFS, LLC				
	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS: PO Box 414, W-490		CITY: Milwaukee	STATE: WI	POSTAL CODE: 53201	COUNTRY: USA

4. **COLLATERAL:** This financing statement covers the following collateral:
One (1) GE Healthcare Proteus IB Options together with (i) all substitutions for, and products and proceeds of any of the foregoing property, (ii) all accessions thereto, (iii) all accessories, attachments, parts, equipment and repairs now or hereafter attached or affixed to or used in connection with any of the foregoing property, (iv) all warehouse receipts, bills of lading and other documents of title now or hereafter covering any of the foregoing property, and (v) all insurance and/or other proceeds of any type of the foregoing property.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:
☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
9933621001 - 2-6862703416 [141852761]

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
Corporation Service Company
800-858-5294

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)
CORPORATION SERVICE COMPANY
801 ADLAI STEVENSON DRIVE
Springfield, IL 62703-4261
USA

DOCUMENT NUMBER: 67417490002
FILING NUMBER: 18-7630292997
FILING DATE: 01/26/2018 08:42

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1. **DEBTOR'S NAME:** Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	1a. ORGANIZATION'S NAME VERITY HEALTH SYSTEM OF CALIFORNIA, INC.				
	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS 203 REDWOOD SHORES PARKWAY, SUITE 800		CITY REDWOOD CITY	STATE CA	POSTAL CODE 94065	COUNTRY USA

2. **DEBTOR'S NAME:** Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	2a. ORGANIZATION'S NAME VERITY MEDICAL FOUNDATION				
	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS 400 RACE STREET		CITY SAN JOSE	STATE CA	POSTAL CODE 95126	COUNTRY USA

3. **SECURED PARTY'S NAME** (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

OR	3a. ORGANIZATION'S NAME GE HFS, LLC				
	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS PO Box 414, W-490		CITY Milwaukee	STATE WI	POSTAL CODE 53201	COUNTRY USA

4. **COLLATERAL:** This financing statement covers the following collateral:
One (1) GE Healthcare Optima XR646 1D together with (i) all substitutions for, and products and proceeds of any of the foregoing property, (ii) all accessions thereto, (iii) all accessories, attachments, parts, equipment and repairs now or hereafter attached or affixed to or used in connection with any of the foregoing property, (iv) all warehouse receipts, bills of lading and other documents of title now or hereafter covering any of the foregoing property, and (v) all insurance and/or other proceeds of any type of the foregoing property.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:
☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
9933620001 - 2-6862698416 [141854441]

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
Corporation Service Company
800-858-5294

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)
CORPORATION SERVICE COMPANY
801 ADLAI STEVENSON DRIVE
Springfield, IL 62703-4261
USA

DOCUMENT NUMBER: 68901160002
FILING NUMBER: 18-7640585206
FILING DATE: 03/28/2018 08:02

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1. **DEBTOR'S NAME:** Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	1a. ORGANIZATION'S NAME VERITY MEDICAL FOUNDATION				
	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS 400 RACE STREET, SUITE 100		CITY SAN JOSE	STATE CA	POSTAL CODE 95126	COUNTRY USA

2. **DEBTOR'S NAME:** Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	2a. ORGANIZATION'S NAME				
	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

3. **SECURED PARTY'S NAME** (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

OR	3a. ORGANIZATION'S NAME McKesson Corporation and its affiliates				
	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 401 Mason Road		CITY La Vergne	STATE TN	POSTAL CODE 37086	COUNTRY USA

4. **COLLATERAL:** This financing statement covers the following collateral:
All of Customer's right, title and interest in and to its personal property, whether now owned or hereafter acquired including without limitation all Accounts, Cash, Chattel Paper, Deposit Accounts, Documents, Equipment General Intangibles, Goods, Health Care Insurance
Receivables, Instruments, Inventory, Investment Property, Letter of Credit Rights and Promissory Notes, together with all attachments, replacements, substitutions, additions and accessions, all Proceeds and products thereof and all books and records relating to any of the foregoing (collectively, "Collateral").

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:	6b. Check only if applicable and check only one box:
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility	☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
[144537674]

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
Corporation Service Company
800-858-5294

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)
CORPORATION SERVICE COMPANY
801 ADLAI STEVENSON DRIVE
Springfield, IL 62703-4261
USA

DOCUMENT NUMBER: 69095930002
FILING NUMBER: 18-7641956572
FILING DATE: 04/05/2018 08:09

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1. **DEBTOR'S NAME:** Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	1a. ORGANIZATION'S NAME: VERITY MEDICAL FOUNDATION				
	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS: 400 RACE STREET		CITY: SAN JOSE	STATE: CA	POSTAL CODE: 95126	COUNTRY: USA

2. **DEBTOR'S NAME:** Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	2a. ORGANIZATION'S NAME				
	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

3. **SECURED PARTY'S NAME** (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

OR	3a. ORGANIZATION'S NAME: McKesson Corporation and its affiliates				
	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS: 401 Mason Road		CITY: La Vergne	STATE: TN	POSTAL CODE: 37086	COUNTRY: USA

4. **COLLATERAL:** This financing statement covers the following collateral:
All assets of the Debtor, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, of every kind and description, tangible or intangible, including without limitation all accessions thereto and all products and proceeds thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:
☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
[144901233]

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EXHIBIT 5

EXHIBIT 5

Assignment	DocumentNo	Typ	Doc. Date	Amt in loc.cur.	Account
314966472	314966472	RV	07/02/18	$619.52	100283565
314976297	314976297	RV	07/05/18	$144.51	100283565
314993154	314993154	RV	07/09/18	$1,016.36	100283565
315005295	315005295	RV	07/10/18	$314.87	100283565
315011359	315011359	RV	07/11/18	$1,082.39	100283565
315019006	315019006	RV	07/11/18	$76.65	100283565
315019007	315019007	RV	07/12/18	$552.00	100283565
315024394	315024394	RV	07/13/18	$4.39	100283565
315041562	315041562	RV	07/16/18	$890.21	100283565
315057805	315057805	RV	07/18/18	$825.31	100283565
315078678	315078678	RV	07/23/18	$204.76	100283565
315087686	315087686	RV	07/24/18	$33.39	100283565
315099038	315099038	RV	07/25/18	$1,257.57	100283565
315115316	315115316	RV	07/30/18	$1,123.59	100283565
315124990	315124990	RV	07/31/18	$12,775.54	100283565
315135369	315135369	RV	08/01/18	$10,731.86	100283565
315143050	315143050	RV	08/02/18	$30.40	100283565
315147808	315147808	RV	08/03/18	$601.79	100283565
315159586	315159586	RV	08/06/18	$259.60	100283565
315175775	315175775	RV	08/08/18	$5.48	100283565
315176713	315176713	RV	08/08/18	$235.16	100283565
315184201	315184201	RV	08/09/18	$1,104.00	100283565
315190439	315190439	RV	08/10/18	$29.36	100283565
315191452	315191452	RV	08/12/18	$12.69	100283565
315201590	315201590	RV	08/13/18	$1,104.00	100283565
315217946	315217946	RV	08/15/18	$64.85	100283565
315230904	315230904	RV	08/16/18	$287.02	100283565
315244711	315244711	RV	08/20/18	$2,137.50	100283565
315257254	315257254	RV	08/21/18	$93.27	100283565
315290463	315290463	RV	08/27/18	$552.00	100283565
315298406	315298406	RV	08/28/18	$34,239.26	100283565
315307674	315307674	RV	08/29/18	$1,330.78	100283565
315315698	315315698	RV	08/30/18	$10,731.86	100283565
315318387	315318387	RV	08/31/18	$645.80	100283565
315334277	315334277	RV	09/04/18	$1,068.75	100283565
700233623	3700276952	Z5	07/01/18	$37.71	100283565
700235487	3700279150	Z5	08/01/18	$104.13	100283565
700237210	3700281294	Z5	09/01/18	$193.37	100283565
315011497	315011497	RV	07/11/18	$1,805.37	100282767
315056733	315056733	RV	07/18/18	$238.00	100282767
315103600	315103600	RV	07/26/18	$601.79	100282767
315175460	315175460	RV	08/08/18	$601.79	100282767
315219212	315219212	RV	08/15/18	$119.00	100282767
315229786	315229786	RV	08/16/18	$238.00	100282767
315290436	315290436	RV	08/27/18	$601.79	100282767
315307232	315307232	RV	08/29/18	$601.79	100282767

	700237207	3700281291	Z5	09/01/18	$20.21	100282767
	315255708	315255708	RV	08/21/18	$1,068.75	10167871
	315255222	315255222	RV	08/21/18	$3,875.45	10167868
	315271575	315271575	RV	08/23/18	$1,068.75	10167868
	314932898	107993531	AB	08/30/18	$0.20	10167868
i3721		315056345	RV	07/18/18	$3,109.82	10167868
i3729		314969968	RV	07/03/18	-$9,870.48	10167868
i3731		314965166	RV	07/02/18	$12,375.76	10167868
i3731		314966522	RV	07/02/18	$12,538.74	10167868
i3732		314969967	RV	07/03/18	$60.66	10167868
i3733		314970560	RV	07/03/18	$964.54	10167868
i3735		315010777	RV	07/11/18	$16,292.24	10167868
i3736		314993201	RV	07/09/18	$196.32	10167868
i3737		315047527	RV	07/17/18	$23,280.60	10167868
I3738		315064729	RV	07/19/18	$1,594.51	10167868
i3739		315064730	RV	07/19/18	$3,058.67	10167868
i3740		315087258	RV	07/24/18	$20,048.36	10167868
I3741		315097291	RV	07/25/18	$1,071.89	10167868
I3742		315103552	RV	07/26/18	$84.45	10167868
i3743		315124501	RV	07/31/18	$21,767.34	10167868
i3744		315142259	RV	08/02/18	$512.27	10167868
i3745		315155116	RV	08/06/18	$8,786.37	10167868
i3746		315166132	RV	08/07/18	$24,231.83	10167868
i3746		315168800	RV	08/07/18	$3,762.98	10167868
i3747		315182903	RV	08/09/18	$558.44	10167868
i3748		315189324	RV	08/10/18	$2,343.99	10167868
i3749		315208227	RV	08/14/18	$24,624.59	10167868
i3750	SOAR	315199668	RV	08/13/18	$322.82	10167868
i3751		315244415	RV	08/20/18	$10,826.39	10167868
i3751		315246041	RV	08/20/18	$2,379.45	10167868
i3752		315255221	RV	08/21/18	$5,636.84	10167868
i3753		315257165	RV	08/21/18	$117.58	10167868
i3754		315255223	RV	08/21/18	$81.84	10167868
i3755		315265332	RV	08/22/18	$1,758.73	10167868
i3756		315315642	RV	08/30/18	$8,536.05	10167868
i3758		315332399	RV	09/04/18	$36,235.20	10167868
Lynx		314961241	RV	07/01/18	$299.76	100282765
Lynx		315136036	RV	08/01/18	$299.76	100282765
Lynx		315319961	RV	09/01/18	$299.76	100282765
Lynx		314961360	RV	07/01/18	$299.76	100282766
Lynx		315136015	RV	08/01/18	$299.76	100282766
Lynx		315319818	RV	09/01/18	$299.76	100282766
	314956259	314956259		06/29/18	2,783.66	100282766
	314965551	314965551		07/02/18	315.02	100282766
	314968281	314968281		07/02/18	67,696.05	100282766
	314968513	314968513		07/02/18	13,630.36	100282766
	314982937	314982937		07/06/18	1,523.64	100282766

314995888	314995888	07/09/18	3.62	100282766
315011719	315011719	07/11/18	157.44	100282766
315019992	315019992	07/12/18	37,602.16	100282766
315019994	315019994	07/12/18	3.62	100282766
315025014	315025014	07/13/18	32,387.53	100282766
315025015	315025015	07/13/18	104.54	100282766
315039602	315039602	07/16/18	40,868.05	100282766
315041592	315041592	07/16/18	2,429.96	100282766
315048434	315048434	07/17/18	462.4	100282766
315049871	315049871	07/17/18	36,991.01	100282766
315065087	315065087	07/19/18	6,443.00	100282766
315068597	315068597	07/20/18	4,889.08	100282766
315077111	315077111	07/23/18	42,404.27	100282766
315087473	315087473	07/24/18	3.62	100282766
315087474	315087474	07/23/18	-39.39	100282766
315088781	315088781	07/24/18	25,369.79	100282766
315097392	315097392	07/25/18	82,947.24	100282766
315097393	315097393	07/25/18	249	100282766
315103595	315103595	07/26/18	1,402.04	100282766
315114981	315114981	07/30/18	74.2	100282766
315116821	315116821	07/30/18	320.06	100282766
315125054	315125054	07/31/18	249	100282766
315125055	315125055	07/31/18	9,339.02	100282766
315126421	315126421	07/31/18	3,197.42	100282766
315133657	315133657	08/01/18	42,512.82	100282766
315142164	315142164	08/02/18	788.57	100282766
315143182	315143182	08/02/18	14,764.30	100282766
315157157	315157157	08/06/18	104.96	100282766
315167169	315167169	08/07/18	23,588.23	100282766
315184249	315184249	08/09/18	3,038.45	100282766
315190481	315190481	08/10/18	25,480.77	100282766
315198003	315198003	08/13/18	363.32	100282766
315201318	315201318	08/13/18	32,893.71	100282766
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EXHIBIT 6

EXHIBIT 6

Customer Number	Document Number	Invoice Date	Open Amount	Doc Type
3754393	82464046	07/22/2016	$ (433.44)	RM
3754393	82625717	07/26/2016	$ (104.28)	RM
3754393	1182854	01/22/2018	$ (10.42)	RB
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3754393	1190403	02/08/2018	$ (1.89)	RB
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3754393	31514066	07/16/2018	$	2,815.74	RI
3754393	31515392	07/16/2018	$	1,292.80	RI
3754393	31515464	07/16/2018	$	184.41	RI
3754393	31515577	07/16/2018	$	1,793.63	RI
3754393	31516295	07/16/2018	$	1,906.50	RI
3754393	31516743	07/16/2018	$	102.70	RI
3754393	31518151	07/16/2018	$	936.23	RI
3754393	31518539	07/16/2018	$	792.01	RI
3754393	31521982	07/16/2018	$	1.97	RI
3754393	31525036	07/16/2018	$	263.67	RI
3754393	31525228	07/16/2018	$	281.81	RI
3754393	31531333	07/16/2018	$	385.07	RI
3754393	31531626	07/16/2018	$	266.03	RI
3754393	31531810	07/16/2018	$	753.74	RI
3754393	31534439	07/16/2018	$	485.28	RI
3754393	31534445	07/16/2018	$	192.86	RI
3754393	31536181	07/16/2018	$	646.41	RI
3754393	31536355	07/16/2018	$	1,205.70	RI
3754393	31536963	07/16/2018	$	1,373.68	RI
3754393	31543850	07/16/2018	$	2,153.83	RI
3754393	31545215	07/16/2018	$	429.58	RI
3754393	31607804	07/17/2018	$	13.24	RI
3754393	31706554	07/18/2018	$	69.36	RI
3754393	31712888	07/18/2018	$	6.30	RI
3754393	31801222	07/19/2018	$	15.86	RI
3754393	31803433	07/19/2018	$	1.97	RI
3754393	31822685	07/19/2018	$	162.24	RI
3754393	31901902	07/20/2018	$	2,095.90	RI
3754393	31903172	07/20/2018	$	857.23	RI
3754393	31903173	07/20/2018	$	857.23	RI
3754393	31906467	07/20/2018	$	434.49	RI
3754393	31906508	07/20/2018	$	540.82	RI
3754393	31906594	07/20/2018	$	502.67	RI
3754393	31906750	07/20/2018	$	8,655.53	RI
3754393	31907077	07/20/2018	$	2,267.73	RI
3754393	31909704	07/22/2018	$	1,330.03	RI

3754393	31909713	07/22/2018	$	289.50	RI
3754393	31918366	07/23/2018	$	23.81	RI
3754393	31918643	07/23/2018	$	187.69	RI
3754393	31919125	07/23/2018	$	22.10	RI
3754393	31919196	07/23/2018	$	221.02	RI
3754393	31919543	07/23/2018	$	10.01	RI
3754393	31919939	07/23/2018	$	13.45	RI
3754393	31926513	07/23/2018	$	13.86	RI
3754393	31927717	07/23/2018	$	24.35	RI
3754393	31927903	07/23/2018	$	222.10	RI
3754393	31929499	07/23/2018	$	2,708.62	RI
3754393	31930752	07/23/2018	$	75.87	RI
3754393	31935349	07/23/2018	$	5.25	RI
3754393	31939582	07/23/2018	$	25.35	RI
3754393	31940521	07/23/2018	$	431.55	RI
3754393	31941079	07/23/2018	$	503.22	RI
3754393	31942987	07/23/2018	$	224.27	RI
3754393	31943672	07/23/2018	$	144.01	RI
3754393	31943680	07/23/2018	$	602.75	RI
3754393	31944763	07/23/2018	$	40.30	RI
3754393	31945466	07/23/2018	$	193.20	RI
3754393	31947575	07/23/2018	$	366.60	RI
3754393	31948897	07/23/2018	$	6,253.86	RI
3754393	31952141	07/23/2018	$	371.86	RI
3754393	31955211	07/23/2018	$	581.13	RI
3754393	31955398	07/23/2018	$	488.61	RI
3754393	31955407	07/23/2018	$	329.83	RI
3754393	31958206	07/23/2018	$	579.23	RI
3754393	31958251	07/23/2018	$	1,676.98	RI
3754393	31958461	07/23/2018	$	3,270.64	RI
3754393	31958576	07/23/2018	$	314.37	RI
3754393	31958607	07/23/2018	$	2,701.82	RI
3754393	31958625	07/23/2018	$	692.80	RI
3754393	31958693	07/23/2018	$	642.21	RI
3754393	31961880	07/23/2018	$	431.55	RI
3754393	31967294	07/23/2018	$	485.27	RI
3754393	31970736	07/23/2018	$	75.73	RI
3754393	31971983	07/23/2018	$	4,440.45	RI
3754393	31973411	07/23/2018	$	290.57	RI
3754393	31979753	07/23/2018	$	603.77	RI
3754393	31991365	07/23/2018	$	1,234.54	RI
3754393	31992201	07/23/2018	$	359.92	RI
3754393	31992327	07/23/2018	$	85.72	RI
3754393	31995723	07/23/2018	$	232.51	RI
3754393	31999374	07/23/2018	$	11.04	RI
3754393	31999375	07/23/2018	$	11.04	RI
3754393	32078646	07/24/2018	$	1,400.00	RI

3754393	32078663	07/24/2018	$	1,400.00	RI
3754393	32078665	07/24/2018	$	2,800.00	RI
3754393	32078784	07/24/2018	$	1,400.00	RI
3754393	32078787	07/24/2018	$	1,400.00	RI
3754393	32083611	07/24/2018	$	883.70	RI
3754393	32093932	07/24/2018	$	176.78	RI
3754393	32129096	07/25/2018	$	1,414.10	RI
3754393	32198324	07/25/2018	$	269.50	RI
3754393	32198857	07/25/2018	$	101.40	RI
3754393	32198861	07/25/2018	$	10.14	RI
3754393	32198863	07/25/2018	$	101.40	RI
3754393	32221091	07/26/2018	$	34.68	RI
3754393	32252040	07/26/2018	$	34.68	RI
3754393	32285290	07/26/2018	$	1,330.03	RI
3754393	32359176	07/27/2018	$	186.96	RI
3754393	32423327	07/30/2018	$	863.10	RI
3754393	32425489	07/30/2018	$	2,233.04	RI
3754393	32425490	07/30/2018	$	3,910.02	RI
3754393	32425540	07/30/2018	$	4,944.28	RI
3754393	32425697	07/30/2018	$	1,513.65	RI
3754393	32425912	07/30/2018	$	748.95	RI
3754393	32430012	07/30/2018	$	43.26	RI
3754393	32430573	07/30/2018	$	22.10	RI
3754393	32432566	07/30/2018	$	682.33	RI
3754393	32433031	07/30/2018	$	33.01	RI
3754393	32433224	07/30/2018	$	42.89	RI
3754393	32433465	07/30/2018	$	11.40	RI
3754393	32437999	07/30/2018	$	2,595.13	RI
3754393	32439762	07/30/2018	$	38.55	RI
3754393	32442714	07/30/2018	$	52.98	RI
3754393	32443849	07/30/2018	$	1,313.59	RI
3754393	32443958	07/30/2018	$	89.82	RI
3754393	32445280	07/30/2018	$	138.69	RI
3754393	32445955	07/30/2018	$	713.65	RI
3754393	32448168	07/30/2018	$	237.86	RI
3754393	32448557	07/30/2018	$	7.93	RI
3754393	32448940	07/30/2018	$	380.97	RI
3754393	32449486	07/30/2018	$	60.99	RI
3754393	32449591	07/30/2018	$	191.36	RI
3754393	32451652	07/30/2018	$	172.83	RI
3754393	32453093	07/30/2018	$	929.90	RI
3754393	32454895	07/30/2018	$	130.43	RI
3754393	32456244	07/30/2018	$	81.00	RI
3754393	32456578	07/30/2018	$	28.34	RI
3754393	32458157	07/30/2018	$	477.79	RI
3754393	32461481	07/30/2018	$	6,606.84	RI
3754393	32464032	07/30/2018	$	876.45	RI

3754393	32470800	07/30/2018	$	260.89	RI
3754393	32470927	07/30/2018	$	202.70	RI
3754393	32478523	07/30/2018	$	181.57	RI
3754393	32478714	07/30/2018	$	1,302.18	RI
3754393	32479138	07/30/2018	$	467.69	RI
3754393	32480347	07/30/2018	$	878.76	RI
3754393	32481172	07/30/2018	$	2,020.46	RI
3754393	32481342	07/30/2018	$	2,438.59	RI
3754393	32482175	07/30/2018	$	10,292.71	RI
3754393	32483124	07/30/2018	$	87.23	RI
3754393	32569618	07/31/2018	$	13.40	RI
3754393	32616555	08/01/2018	$	2.68	RI
3754393	32616604	08/01/2018	$	8.04	RI
3754393	32678667	08/01/2018	$	18.89	RI
3754393	32679702	08/01/2018	$	146.75	RI
3754393	32777438	08/02/2018	$	863.10	RI
3754393	32806380	08/03/2018	$	10.14	RI
3754393	32873496	08/03/2018	$	502.15	RI
3754393	32931779	08/06/2018	$	1,568.02	RI
3754393	32942560	08/06/2018	$	4.68	RI
3754393	32943139	08/06/2018	$	405.21	RI
3754393	32943366	08/06/2018	$	331.40	RI
3754393	32950023	08/06/2018	$	38.27	RI
3754393	32950738	08/06/2018	$	26.35	RI
3754393	32959278	08/06/2018	$	46.57	RI
3754393	32960815	08/06/2018	$	155.40	RI
3754393	32961717	08/06/2018	$	2,638.25	RI
3754393	32961874	08/06/2018	$	81.89	RI
3754393	32961922	08/06/2018	$	483.45	RI
3754393	32962193	08/06/2018	$	4,119.23	RI
3754393	32962310	08/06/2018	$	8,603.34	RI
3754393	32962322	08/06/2018	$	8,870.54	RI
3754393	32963609	08/06/2018	$	1,568.98	RI
3754393	32965114	08/06/2018	$	146.81	RI
3754393	32969114	08/06/2018	$	61.59	RI
3754393	32969496	08/06/2018	$	101.32	RI
3754393	32975355	08/06/2018	$	287.54	RI
3754393	32976163	08/06/2018	$	1,290.41	RI
3754393	32976461	08/06/2018	$	394.33	RI
3754393	32980849	08/06/2018	$	497.01	RI
3754393	32981191	08/06/2018	$	171.62	RI
3754393	32981234	08/06/2018	$	460.36	RI
3754393	32981765	08/06/2018	$	836.42	RI
3754393	32982103	08/06/2018	$	919.07	RI
3754393	32983653	08/06/2018	$	105.43	RI
3754393	32984425	08/06/2018	$	781.53	RI
3754393	32991768	08/06/2018	$	9.36	RI

3754393	32992784	08/06/2018	$	3,035.67	RI
3754393	32992980	08/06/2018	$	132.25	RI
3754393	32999953	08/06/2018	$	(28.08)	RM
3754393	33001947	08/06/2018	$	282.11	RI
3754393	33002241	08/06/2018	$	339.08	RI
3754393	33005293	08/06/2018	$	4,809.52	RI
3754393	33005788	08/06/2018	$	20.43	RI
3754393	33007426	08/06/2018	$	2,684.23	RI
3754393	33035682	08/07/2018	$	28.25	RI
3754393	33075651	08/07/2018	$	5.36	RI
3754393	33078735	08/07/2018	$	10.48	RI
3754393	33194667	08/08/2018	$	1,330.03	RI
3754393	1279917	08/09/2018	$	(457.07)	RB
3754393	33213642	08/09/2018	$	26.88	RI
3754393	33213643	08/09/2018	$	26.88	RI
3754393	33245731	08/09/2018	$	140.00	RI
3754393	33276406	08/09/2018	$	393.63	RI
3754393	33276407	08/09/2018	$	78.73	RI
3754393	33285668	08/09/2018	$	393.63	RI
3754393	33306082	08/10/2018	$	339.08	RI
3754393	33362099	08/10/2018	$	7.36	RI
3754393	33372091	08/10/2018	$	883.70	RI
3754393	33374796	08/10/2018	$	137.45	RI
3754393	33380184	08/10/2018	$	5.36	RI
3754393	33380187	08/10/2018	$	2.68	RI
3754393	33380284	08/10/2018	$	8.04	RI
3754393	33380285	08/10/2018	$	5.36	RI
3754393	33391250	08/12/2018	$	1,330.03	RI
3754393	33398140	08/13/2018	$	33.07	RI
3754393	33400287	08/13/2018	$	10.91	RI
3754393	33400899	08/13/2018	$	5.48	RI
3754393	33404320	08/13/2018	$	14.89	RI
3754393	33405526	08/13/2018	$	113.54	RI
3754393	33409981	08/13/2018	$	119.35	RI
3754393	33415166	08/13/2018	$	29.06	RI
3754393	33419636	08/13/2018	$	85.30	RI
3754393	33422451	08/13/2018	$	953.07	RI
3754393	33424178	08/13/2018	$	60.50	RI
3754393	33426144	08/13/2018	$	214.55	RI
3754393	33434555	08/13/2018	$	233.10	RI
3754393	33435301	08/13/2018	$	65.12	RI
3754393	33436052	08/13/2018	$	1,129.77	RI
3754393	33438044	08/13/2018	$	1,296.99	RI
3754393	33442455	08/13/2018	$	1,069.50	RI
3754393	33447661	08/13/2018	$	24.20	RI
3754393	33460588	08/13/2018	$	134.87	RI
3754393	33462127	08/13/2018	$	215.40	RI

3754393	33467193	08/13/2018	$	48.77	RI
3754393	33468200	08/13/2018	$	1,285.93	RI
3754393	33468830	08/13/2018	$	6,833.82	RI
3754393	33468976	08/13/2018	$	637.52	RI
3754393	33468995	08/13/2018	$	81.89	RI
3754393	33469050	08/13/2018	$	3,341.48	RI
3754393	33469156	08/13/2018	$	1,892.69	RI
3754393	33470787	08/13/2018	$	477.15	RI
3754393	33473377	08/13/2018	$	3,116.68	RI
3754393	33473678	08/13/2018	$	5.74	RI
3754393	33474188	08/13/2018	$	3,782.73	RI
3754393	33492583	08/13/2018	$	303.64	RI
3754393	33492796	08/13/2018	$	118.85	RI
3754393	33492967	08/13/2018	$	1,374.60	RI
3754393	33494988	08/13/2018	$	1,242.15	RI
3754393	33495390	08/13/2018	$	98.52	RI
3754393	33496416	08/13/2018	$	1,555.83	RI
3754393	33496420	08/13/2018	$	2.68	RI
3754393	33504276	08/13/2018	$	52.00	RI
3754393	33526742	08/14/2018	$	83.45	RI
3754393	33581351	08/14/2018	$	74.60	RI
3754393	33627864	08/15/2018	$	60.91	RI
3754393	33650425	08/15/2018	$	1,365.25	RI
3754393	33700057	08/15/2018	$	152.10	RI
3754393	33787519	08/16/2018	$	66.82	RI
3754393	33787522	08/16/2018	$	133.64	RI
3754393	33860459	08/17/2018	$	1,784.98	RI
3754393	33876129	08/17/2018	$	73.37	RI
3754393	33876161	08/17/2018	$	149.58	RI
3754393	33876461	08/17/2018	$	10.93	RI
3754393	33877326	08/17/2018	$	1,451.10	RI
3754393	33877327	08/17/2018	$	1,451.10	RI
3754393	33878817	08/17/2018	$	101.40	RI
3754393	33882570	08/17/2018	$	407.08	RI
3754393	33883117	08/17/2018	$	1,633.37	RI
3754393	33897862	08/20/2018	$	100.81	RI
3754393	33901400	08/20/2018	$	2,623.11	RI
3754393	33902100	08/20/2018	$	139.74	RI
3754393	33902868	08/20/2018	$	12.00	RI
3754393	33905316	08/20/2018	$	25.09	RI
3754393	33908371	08/20/2018	$	90.76	RI
3754393	33912806	08/20/2018	$	84.81	RI
3754393	33912861	08/20/2018	$	75.10	RI
3754393	33913304	08/20/2018	$	91.50	RI
3754393	33913804	08/20/2018	$	10.99	RI
3754393	33915462	08/20/2018	$	240.78	RI
3754393	33917735	08/20/2018	$	222.01	RI

3754393	33922932	08/20/2018	$	742.46	RI
3754393	33923987	08/20/2018	$	1.69	RI
3754393	33931047	08/20/2018	$	140.54	RI
3754393	33932757	08/20/2018	$	500.92	RI
3754393	33932996	08/20/2018	$	1,069.43	RI
3754393	33933872	08/20/2018	$	60.50	RI
3754393	33936784	08/20/2018	$	3.38	RI
3754393	33936978	08/20/2018	$	220.28	RI
3754393	33937104	08/20/2018	$	2,746.00	RI
3754393	33937375	08/20/2018	$	1,699.08	RI
3754393	33937909	08/20/2018	$	2,992.72	RI
3754393	33938938	08/20/2018	$	779.40	RI
3754393	33943125	08/20/2018	$	48.40	RI
3754393	33943629	08/20/2018	$	198.98	RI
3754393	33960876	08/20/2018	$	36.30	RI
3754393	33968123	08/20/2018	$	4.82	RI
3754393	33968306	08/20/2018	$	141.74	RI
3754393	33971240	08/20/2018	$	97.57	RI
3754393	33972036	08/20/2018	$	12.86	RI
3754393	33993421	08/20/2018	$	4.83	RI
3754393	33999661	08/20/2018	$	1,035.22	RI
3754393	34001664	08/20/2018	$	1,463.36	RI
3754393	34004848	08/20/2018	$	363.00	RI
3754393	34022076	08/21/2018	$	20.42	RI
3754393	34039640	08/21/2018	$	3.34	RI
3754393	34046347	08/21/2018	$	26.00	RI
3754393	34047250	08/21/2018	$	91.27	RI
3754393	34052477	08/21/2018	$	231.40	RI
3754393	34086715	08/21/2018	$	1.97	RI
3754393	34088716	08/21/2018	$	128.30	RI
3754393	34182756	08/22/2018	$	1,784.98	RI
3754393	34195835	08/22/2018	$	167.23	RI
3754393	34263362	08/23/2018	$	64.64	RI
3754393	34263457	08/23/2018	$	10.77	RI
3754393	34263458	08/23/2018	$	10.77	RI
3754393	34275024	08/23/2018	$	31.30	RI
3754393	34288691	08/23/2018	$	27.19	RI
3754393	34360199	08/24/2018	$	5.00	RI
3754393	34360901	08/24/2018	$	18.84	RI
3754393	34361619	08/24/2018	$	3.75	RI
3754393	34364757	08/24/2018	$	15.00	RI
3754393	34378164	08/24/2018	$	(10.53)	RM
3754393	1284099	08/27/2018	$	(222.40)	RB
3754393	34395060	08/27/2018	$	105.11	RI
3754393	34395143	08/27/2018	$	112.54	RI
3754393	34395657	08/27/2018	$	38.67	RI
3754393	34398336	08/27/2018	$	0.99	RI

3754393	34404082	08/27/2018	$	4.51	RI
3754393	34406516	08/27/2018	$	140.78	RI
3754393	34406544	08/27/2018	$	264.75	RI
3754393	34406609	08/27/2018	$	64.39	RI
3754393	34408808	08/27/2018	$	190.90	RI
3754393	34409159	08/27/2018	$	11.65	RI
3754393	34416973	08/27/2018	$	598.23	RI
3754393	34417115	08/27/2018	$	426.91	RI
3754393	34419882	08/27/2018	$	1,850.13	RI
3754393	34421793	08/27/2018	$	5.00	RI
3754393	34421800	08/27/2018	$	5.00	RI
3754393	34423885	08/27/2018	$	44.09	RI
3754393	34430424	08/27/2018	$	252.27	RI
3754393	34431392	08/27/2018	$	86.01	RI
3754393	34431393	08/27/2018	$	119.24	RI
3754393	34437466	08/27/2018	$	3,290.66	RI
3754393	34437572	08/27/2018	$	405.21	RI
3754393	34437577	08/27/2018	$	405.21	RI
3754393	34437712	08/27/2018	$	1,096.90	RI
3754393	34438032	08/27/2018	$	1,650.34	RI
3754393	34438045	08/27/2018	$	1,393.29	RI
3754393	34438862	08/27/2018	$	1,030.20	RI
3754393	34440581	08/27/2018	$	246.03	RI
3754393	34443226	08/27/2018	$	242.01	RI
3754393	34443984	08/27/2018	$	1,563.98	RI
3754393	34450518	08/27/2018	$	263.20	RI
3754393	34450942	08/27/2018	$	63.26	RI
3754393	34451446	08/27/2018	$	568.69	RI
3754393	34451504	08/27/2018	$	1,720.70	RI
3754393	34454879	08/27/2018	$	247.37	RI
3754393	34455871	08/27/2018	$	5.00	RI
3754393	34456167	08/27/2018	$	2,424.00	RI
3754393	34456487	08/27/2018	$	7.56	RI
3754393	34456504	08/27/2018	$	5,333.66	RI
3754393	34457426	08/27/2018	$	10.93	RI
3754393	34457785	08/27/2018	$	114.45	RI
3754393	34459288	08/27/2018	$	343.15	RI
3754393	34460303	08/27/2018	$	394.13	RI
3754393	34465348	08/27/2018	$	130.24	RI
3754393	34468237	08/27/2018	$	355.37	RI
3754393	34470428	08/27/2018	$	6.89	RI
3754393	34472022	08/27/2018	$	205.89	RI
3754393	34478408	08/27/2018	$	907.97	RI
3754393	34486381	08/27/2018	$	3,206.74	RI
3754393	34486654	08/27/2018	$	32.86	RI
3754393	34486678	08/27/2018	$	629.18	RI
3754393	34486829	08/27/2018	$	313.88	RI

3754393	34496490	08/27/2018	$	28.17	RI
3754393	34513662	08/28/2018	$	60.50	RI
3754393	34518862	08/28/2018	$	28.28	RI
3754393	34576946	08/28/2018	$	5.50	RI
3754393	34653753	08/29/2018	$	103.82	RI
3754393	34720072	08/30/2018	$	45.68	RI
3754393	34789280	08/30/2018	$	1.85	RI
3754393	34916918	09/02/2018	$	1,330.03	RI
3754393	34916919	09/02/2018	$	1,330.03	RI
3754393	35055222	09/04/2018	$	575.49	RI
3754393	35109717	09/05/2018	$	71.77	RI
3754393	35215627	09/06/2018	$	1,400.00	RI
3754393	35216044	09/06/2018	$	1,400.00	RI
3754393	35241763	09/06/2018	$	5.98	RI
3754393	35242391	09/06/2018	$	498.77	RI
3754393	35367999	09/07/2018	$	41.63	RI
3754393	35401466	09/09/2018	$	2.53	RI
3754393	35463863	09/10/2018	$	8.12	RI
3754393	35576492	09/11/2018	$	7.36	RI
			$	385,066.50	

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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtor and Debtor In Possession.	Lead Case No. 2:18-bk-20151-ER 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-20181-ER Chapter 11 Cases Hon. Ernest M. Robles **OBJECTION TO 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** HEARING: Date: October 3, 2018 Time: 10:00 a.m. Ctrm: 1568
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Medical Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects DePaul Ventures, LLC ☐ Affects DePaul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

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Secured creditors UMB Bank, N.A., as successor master indenture trustee for the master indenture obligations described more fully below (the "Master Trustee"), and Wells Fargo Bank, National Association, as indenture trustee for the series 2005 revenue bonds also described more fully below (the "Series 2005 Trustee", and, collectively with the Master Trustee, the "Secured Parties") hereby make the following objection to the Debtors' request for a final order (a "Final Order") allowing their "*Emergency Motion of Debtors for Interim and Final Orders (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*" [Docket No. 31] (the "Financing Motion"). In support of this objection, the Secured Parties state as follows:

PRELIMINARY STATEMENT

1. The Debtors seek authority through the Financing Motion to, among other things, (i) incur up to $185 million of post-petition indebtedness, and (ii) secure such indebtedness by first priority, perfected liens on substantially all of the Debtors' assets (the "DIP Facility"), which liens would involuntarily prime the Secured Parties' liens, and similarly prime the liens of all other secured creditors in these cases.

2. At the September 5, 2018 initial hearing on the Financing Motion, the Secured Parties consented to interim relief in connection with the Financing Motion and the Court thereafter entered an interim order, which will expire on October 6, 2018, authorizing the Debtors to incur up to $30 million of post-petition borrowing [Docket No. 86] (the "Interim Order"). Prior to such initial hearing, the Secured Parties were not meaningfully consulted, and were not involved in any way in the selection of the DIP Lender[1] or the negotiation of the terms of the DIP Facility, particularly the involuntary priming of their liens. The decision by the Secured Parties to consent to the Interim Order was based solely on the fact that the Secured Parties did not want to immediately imperil the viability of the Debtors at the very beginning of

[1] Capitalized terms not defined in this objection have the meanings specified in the Financing Motion.

these cases, for a short, 30-day period, while the Secured Parties had a more reasonable opportunity to begin to assess the Financing Motion.

3. The Secured Parties are willing to consent to a Final Order approving the Financing Motion, but only if the terms of that order are consistent with the provisions described in this objection below, and, for the convenience of the Court and all parties, as set forth in the attached black-line of certain sections of the draft order that the Debtors circulated to the Secured Parties for discussion purposes on September 22, 2018 (the "Draft Order"). The Debtors have not established that they can provide adequate protection to the Secured Parties as required under section 364 of the Bankruptcy Code. Therefore, if the Final Order does not contain the provisions described in this objection, the Secured Parties do not consent to the relief in the Financing Motion, including, in particular, the request to prime the liens of the Secured Parties. Among other critical terms, a Final Order must include:

(a) An accurate description of the identity and prepetition rights of the Prepetition Secured Creditors and their respective secured claims;

(b) The incorporation of customary and basic protections for the Secured Parties on account of the fact that their liens are being primed; and

(c) Terms separating out, distinguishing and accurately describing the adequate protection granted to each individual Prepetition Secured Creditor on account of the fact that the Prepetition Secured Creditors are not one, homogeneous group with identical rights and collateral, and are not even parties to the same prepetition debt obligations.

4. If the Final Order does not include the provisions described in this objection, the Secured Parties demand strict proof that the prepetition liens of the Secured Parties are being adequately protected under the Bankruptcy Code, including proof of the sufficiency of adequate protection notwithstanding the imposition of the DIP Facility, use of the cash collateral of the Secured Parties, and the requested priming of the liens of the Secured Parties up to the amount of $185 million. Under those circumstances, the Secured Parties expressly reserve all rights to supplement this objection and otherwise oppose the Financing Motion at an evidentiary hearing

to be scheduled by this Court.

5. Finally, no Final Order or other relief on the Financing Motion should provide adequate protection liens to any stakeholder in these cases on terms that prime any of the Secured Parties' prepetition liens. The Draft Order, as presented by the Debtors before the Secured Parties provided comments, described adequate protection liens that would prime the Secured Parties' existing prepetition liens, and similarly prime the existing prepetition liens of almost every other secured creditor in these cases. *Id.* Section 5(a). This suggested treatment would make each Prepetition Secured Creditor the unwilling guarantor of each other Prepetition Secured Creditor and completely rearrange the Prepetition Secured Creditors' existing relative rights and bargained-for lending terms. There is no basis to provide adequate protection liens that displace the Secured Parties' existing liens, or displace the existing liens of other secured creditors in this manner over the Secured Parties' objection. Any effort to impose that relief should be denied.

BACKGROUND

6. The Secured Parties are the largest lender-side creditors in these cases. UMB Bank, N.A. serves as master trustee for MTI Obligations issued by Verity Health Systems of California, Inc. and its predecessor organizations ("VHS") in an aggregate outstanding amount exceeding $461 million. *See Financing Motion* ¶ 20. Those MTI Obligations secure nine series of securities that include revenue bonds, working capital bonds, and working capital notes issued for the benefit of Debtors VHS, O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center and Seton Medical Center (collectively, the "Obligated Group"). *Id.* Wells Fargo Bank, National Association, serves as indenture trustee for three of those series of debt instruments in an aggregate outstanding amount exceeding $259 million (the "Series 2005 Bonds").[2] *Id.*

7. The MTI Obligations and Series 2005 Bonds are secured by Gross Receipts as

[2] U.S. Bank, National Association, serves as indenture trustee for the remaining six of those series of debt instruments in an aggregate outstanding amount exceeding $202 million.

well as the real property and personal property associated with the Debtors' six acute care hospital facilities. *See, e.g., Financing Motion* ¶ 26, *Financing Motion, Exhibit A* (Proposed Order) ¶ H.

8. The Debtors commenced these cases on August 31, 2018. The Debtors continue to manage their affairs as "debtors in possession."

9. The Debtors' "first day pleadings" in these cases include the Financing Motion and the "*Declaration of Anita Chou, Chief Financial Officer, in Support of Motion for Interim Order Authorizing (A) Use of Cash Collateral; (B) Debtor in Possession Credit Agreement; (C) Grant of Superpriority Priming Liens to DIP Lender and; (D) Grant of Junior Liens on Post Petition Accounts and Inventory as Adequate Protection to Prepetition Secured Parties Pursuance to 11 U.S.C. §§ 105(A), 363(C)(2), and 364(C) and (D)*" [Docket No. 32] (the "Chou Declaration").

10. Among other relief sought by the Debtors through the Financing Motion, the Debtors seek authority to incur up to $185 million of secured, post-petition financing on a final basis. *See Financing Motion* ¶ 31. The proposed DIP Facility would be secured by first priority, perfected liens on substantially all of the Debtors' assets in favor of the DIP Lender, which would involuntarily prime the liens and security interests securing the MTI Obligations.

11. The Debtors have offered the following adequate protection to the Secured Parties in an attempt to compensate them for the priming liens securing the DIP Facility which the Debtors seek to impose on the collateral of the Secured Parties and for the Debtors' continued use of the Secured Parties' cash collateral and other assets of the Debtors that are pledged as security for the Debtors' MTI Obligations: (a) adequate protection payments equal to post-petition non-default interest on the MTI Obligations; (b) payment of limited professional fees for the Secured Parties' attorneys and financial advisors; (c) new ("replacement") security interests on all of the Debtors' prepetition and post-petition assets, limited to the extent of any diminution in value of the Prepetition Secured Creditors' prepetition collateral, and subject to the priming DIP Liens, a carve out for professional fees of the Debtors and the Committee, and

certain other matters; (d) a promise to maintain pre-petition real property securing the MTI Obligations; and (e) a superpriority administrative claim, essentially covering the same assets and on the same terms and conditions as the replacement liens. *See Financing Motion at page 25; Chou Declaration* ¶¶ 19-23. The terms of the adequate protection do not, however, include a number of provisions that are customarily provided to prepetition secured creditors that are being primed, and which are necessary to adequately protect such creditors.

12. Neither of the Secured Parties was contacted in any capacity about the Debtors' deteriorating financial condition or potential need for additional financing as described in the Financing Motion until less than a month before the Debtors' chapter 11 filing. Critical documents concerning the DIP Facility, including the proposed "*Debtor in Possession Revolving Credit Agreement*" (the "Credit Agreement") and proposed order on the Financing Motion were only "shared" with those parties when they appeared on the docket in these cases.

ARGUMENT

(i) The Debtors are required to obtain the Secured Parties' consent to the Financing Motion or otherwise provide the Secured Parties with sufficient adequate protection.

13. It is fundamental, and indisputable, that the Debtors may only incur the DIP Facility, and otherwise use, sell or lease the Secured Parties' collateral, including cash collateral, if they obtain the Secured Parties' consent to the Financing Motion or provide "adequate protection" to the Secured Parties that safeguards the Secured Parties' property interests. *See Hari Ram, Inc. v. Magnolia Portfolio, LLC (In re Hari Ram, Inc.)*, 507 B.R. 114, 120 (Bankr. M.D.Pa. 2014) (noting these basic alternatives); *Scottsdale Medical Pavilion v. Mutual Benefit Life Ins. Co. (In re Scottsdale Medical Pavilion)*, 159 B.R. 295, 302 (B.A.P. 9th Cir. 1993) (same).

14. The Debtors' obligations to obtain consent or provide "adequate protection" are a function of the Debtors' requested priming liens and planned continued use of the Secured Parties' collateral, including cash collateral, all of which would diminish the Secured Parties' existing secured property interests.

15. The Secured Parties are entitled to adequate protection (absent the Secured Parties' consent on the Financing Motion) as a matter of right, not merely as a matter of discretion. *See In re Frank*, 103 B.R. 771, 774 (W.D. Va. 1989). Bankruptcy Code section 363(e) provides that the Court shall prohibit or condition the Debtors' use, sale, or lease of the Secured Parties' collateral, including cash collateral, as necessary to provide adequate protection of the Secured Parties' interests. *See* 11 U.S.C. § 363(e). Section 364(d)(1)(B) of the Bankruptcy Code is even more direct: there can be no 'superpriority' lien unless "there is adequate protection of the interest of the holder of the [prior] lien …." *See* 11 U.S.C. § 363(d)*; In re T.M. Sweeney & Sons LTL Servs., Inc.*, 131 B.R. 984, 990 (Bankr. N.D. Ill. 1991); *Metromedia Fiber Network Servs. v. Lexent, Inc. (In re Metromedia Fiber Network Servs., Inc.)*, 290 B.R. 487, 491 (Bankr. S.D.N.Y. 2003) (adequate protection is not permissive or discretionary).

16. The Debtors bear the burden of showing that adequate protection has been provided. *See* 11 U.S.C. §§ 363(p), 364(d)(2) (providing that the debtor "has the burden of proof on the issue of adequate protection"); *Wells Fargo Bank, N.A. v. Sonora Desert Dairy, L.L.C. (In re Sonora Desert Dairy, L.L.C.)*, 2015 Bankr. LEXIS 18, at *30-31 (B.A.P. 9th Cir. Jan. 5, 2015)[3]; *see also In re Plabell Rubber Prods., Inc.*, 137 B.R. 897, 899 (Bankr. N.D. Ohio 1992) ("Section 36[4](d)(1)(B) requires the movant to prove that the lender who is subject to being primed will be adequately protected in the face of the loan transaction").

17. Absent the Secured Parties' consent, adequate protection must ensure that the Secured Parties receive the value for which they bargained prepetition. *See Resolution Tr. Corp. v. Swedeland Dev. Group, Inc. (In re Swedeland Dev. Group, Inc.)*, 16 F.3d 552, 564 (3d Cir. 1994); *see also In re Martin*, 761 F.2d 472, 476 (8th Cir. 1985) (proposal of adequate protection "should as nearly as possible . . . provide the creditor with the value of his bargained for rights").

[3] Pursuant to Local Bankruptcy Rule 9013-2(c)(3)(D), cited case law not available in approved reporters is attached hereto as **Schedule A**.

(ii) The Secured Parties are willing to consent to the Financing Motion if the Final Order reflects sufficient protections, including sufficient adequate protections for the Secured Parties.

18. The Secured Parties are willing to consent to a Final Order in connection with the Financing Motion if the Final Order contains terms as described in this objection and as set forth in ***Exhibit A.*** Proceeding on the Financing Motion with the Secured Parties' consent will obviate the need that will otherwise exist to address the Debtors' ability to provide adequate protection for the Secured Parties.

19. The primary required terms and provisions to convert the Draft Order to an acceptable Final Order can be generally grouped as follows:[4]

(a) Accuracy. Any Final Order must contain an accurate description of the identity and prepetition rights of the Prepetition Secured Creditors and their respective secured claims. Revised terms necessary to properly describe the Prepetition Secured Creditors and their respective claims are reflected in, among other places, Sections G and I of ***Exhibit A.*** For convenience, as reflected in ***Exhibit A***, the necessary language of the Final Order specifying these terms is also reproduced below:

> **"G. Prepetition Secured Credit Facilities**. As of the Petition Date, the Debtors were indebted and liable to the Prepetition Secured Creditors as follows:
>
> i. UMB Bank, N.A., ("***UMB Bank***") is the successor master trustee (in such capacity, the "***Master Trustee***") under the Master Indenture of Trust dated as of December 1, 2001, as amended and supplemented (the "***Master Indenture***") with respect to the MTI Obligations (defined below) securing the repayment by the Obligated Group (defined below) of its loan obligations with respect to (1) the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "***2005 Bonds***"), (2) the California Public Finance Authority Revenue Notes (Verity Health System) Series 2015 A, B, C and D (the "***2015 Working Capital Notes***"), and (3) the California Public Finance Authority Revenue Notes (Verity Health System) Series 2017 A and B (the "***2017 Working Capital Notes***" and, collectively with the 2015 Working Capital Notes, the "***Working Capital Notes***"). The joint and several obligations issued under the Master Indenture by

[4] ***Exhibit A*** also reflects certain other comments. The comments reflected in ***Exhibit A*** control to the extent of any discrepancy with this summary.

Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center and Seton Medical Center (collectively, the "***Obligated Group***") securing the Obligated Group's repayment of the loans to the Obligated Group of the proceeds of the 2005 Bonds and the Working Capital Notes are collectively referred to as the "***MTI Obligations***". Wells Fargo Bank National Association ("***Wells Fargo***") serves as bond indenture trustee under the bond indentures relating to the 2005 Bonds. U.S. Bank National Association ("***U.S. Bank***") serves as the note indenture trustee and as the collateral agent under the note indentures relating to the Working Capital Notes. UMB Bank, as Master Trustee, serves as the collateral agent for the MTI Obligations (UMB Bank, in such capacity, and Wells Fargo, as bond trustee under the bond indentures for the 2005 Bonds, and U.S. Bank, as note trustee under the note indentures for the Working Capital Notes, all secured on a parity basis by the MTI Obligations, the "***MTI Agents***"). As of the Petition Date, the amount of the MTI Obligations was as follows: (x) the principal and interest owing under the MTI Obligations securing the 2005 Bonds was $_____, not including fees, costs, costs of collection and any other amounts due and owing under the Obligated Group's loan agreements relating to the 2005 Bonds; (y) the principal and interest owing under the MTI Obligations securing the 2015 Working Capital Notes was $_____, not including fees, costs, costs of collection and any other amounts due and owing under the Obligated Group's loan agreements relating to the 2015 Working Capital Notes; and (z) the principal and interest owing under the MTI Obligations securing the 2017 Working Capital Notes was $_____, not including fees, costs, costs of collection and any other amounts due and owing under the Obligated Group's loan agreements relating to the 2017 Working Capital Notes. The MTI Obligations are secured by, inter alia, security interests in the prepetition accounts of, and mortgages on the principal real estate assets of, the members of the Obligated Group. In addition to the security provided under the MTI Obligations, U.S. Bank, as note trustee for the Working Capital Notes, is secured by security interests in the prepetition accounts of the Obligated Group, and mortgages on the principal real estate assets of Saint Louise Regional Hospital and St. Francis Medical Center (collectively, the "***Intercreditor Collateral***"). Pursuant to the terms of the Intercreditor Agreement among, inter alia, UMB Bank and U.S. Bank, the lien of the Master Indenture and the MTI Obligations on the Intercreditor Collateral is junior to the lien on the Intercreditor Collateral of U.S. Bank., as note

trustee for the Working Capital Notes, except with respect to up to $68,000,000 of the proceeds of any foreclosure or sale of St. Francis Medical Center and up to $5,500,000 of the proceeds of any foreclosure or sale of Saint Louise Regional Hospital, which, to the extent required to be applied to the payment of the 2005 Bonds in order to preserve their tax exemption, are required to be so applied (the "***Tax Savings Provisions***"); and

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

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

"I. <u>Prepetition Collateral</u>. In order to secure that portion of the Prepetition Secured Obligations owing to an individual Prepetition Secured Creditor and the Prepetition Secured Trade Vendor Arrangement (as described in paragraph H above), the Debtors, excluding the Philanthropic Foundations, granted a Prepetition Lien to such Prepetition Secured Creditor and McKesson as provided in the Prepetition Secured Documents and the documents pertaining to the VMF Collateral. The assets subject to the Prepetition Lien of each Prepetition Secured Creditor are hereafter referred to as the "***Prepetition Collateral***" of such Prepetition Secured Creditor. Collectively, the assets subject to all of the Prepetition Liens of all of the Prepetition Secured Creditors and the VMF Collateral constitute substantially all of the assets of the Debtors."

(b) <u>Basic Protections for Primed Secured Parties</u>. Any Final Order must contain customary and basic protections for the Secured Parties on account of the fact that

their liens are being primed. Such protections should include giving the Secured Parties rights to real-time information relating to the Debtors' sale process and, because the Secured Parties (unlike the DIP Lender) are the real parties at risk of non-payment in these cases, providing the Secured Parties, along with the DIP Lender, reasonable input into that process and potential transaction terms. The Final Order should contain language set forth in, among other places, Sections 5(f) and 7 of ***Exhibit A.*** For convenience, the primary language set forth in ***Exhibit A*** specifying these terms is reproduced below:

> "5(f). Pursuant to Section 6.5 of the DIP Credit Agreement, the Debtors have agreed that they will not engage in any Asset Sale (as defined in the DIP Credit Agreement) except in form and substance satisfactory to the DIP Lender in its reasonable discretion. In light of the fact that the DIP Obligations are secured by priming, first priority liens on all of the Debtors' assets, in addition to the approval rights of the DIP Lender under such Section 6.5, the Debtors also shall not engage in any such Asset Sales which involve the disposition of the Prepetition Collateral of a Prepetition Secured Creditor unless in form and substance satisfactory to such Prepetition Secured Creditor in its reasonable discretion."
>
> "7. **Budget Compliance and Reporting**. The proceeds of the DIP Facility and the use of Cash Collateral shall be subject to, and used in accordance with, the terms and conditions of the DIP Financing Agreement and the DIP Budget (subject to the variances set forth therein). Debtors acknowledge and confirm that the DIP Budget includes the payment of CSCDA Special Assessments. The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the Committee such information to include reasonably complete details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock Declaration and such information to be timely provided, sufficient for the Prepetition Secured Creditors to file an objection with this Court on two business days' notice. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and binding confidentiality agreements, the Debtors shall, on an ongoing

basis and otherwise upon reasonable request, provide to the Prepetition Secured Creditors information concerning the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted, copies of any proposals or expressions of interest, drafts and final versions of all pleadings and documentation (including purchase and sale agreements) to be used in connection with any sales of assets, and other information concerning these matters the Prepetition Secured Creditors may reasonably request."

(c) Accurately Granting Adequate Protection to Each Prepetition Secured Creditor. Any Final Order must accurately separate out, distinguish and accurately describe the adequate protection granted to each individual Prepetition Secured Creditor. The Prepetition Secured Creditors are not one, homogeneous group with identical rights, liens and collateral, and are not even parties to the same prepetition debt obligations. For example, some Prepetition Secured Creditors have overlapping collateral but have different priorities in such overlapping collateral, and some do not have overlapping collateral at all. In addition, it should be clear, as required by law, that any post-petition "replacement" lien of any creditor must be subject to any unavoidable prepetition lien of any other creditor and that such replacement lien does not constitute a priming lien among such creditors ranking prior to any prepetition lien. Revised terms on this subject are reflected in, among other places, Section M, Section N, Section 5(a) and Section 5(c) of ***Exhibit A***. For convenience, the primary revised terms contained in ***Exhibit A*** specifying the adequate protection replacement liens and adequate protection superiority administrative claims are reproduced below:

"**M. Application of Sale Proceeds of DIP Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' assets, including, without limitation, the Facilities and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). Any individual sale of assets of the Debtors which generates in excess [$50,000] of net Sale Proceeds shall be held in escrow in a separate interest bearing deposit account subject to a deposit account control agreement in favor of the DIP Lender (an "***Escrow Deposit Account***"). Any funds held in an Escrow Deposit Account shall not be commingled with any other Sale Proceeds, or any other funds of the Debtors or otherwise. The DIP Lender is granted a first priority lien on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan

Termination Date (as defined in the DIP Credit Agreement), the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding amount due under the DIP Loan, with any remaining balance to be delivered to the Debtors subject to any Prepetition Liens, VMF Liens, Prepetition Replacement Liens and VMF Replacement Liens; *provided, however*, that upon further order of the Court as requested by any of the Prepetition Secured Creditors, McKesson or the Debtors, and with the consent of the DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors or McKesson on terms and conditions that are acceptable to the DIP Lender and to each of the Prepetition Secured Creditors which has a Prepetition Lien in such Sale Proceeds (on in the case of VMF Collateral, McKesson), or a Prepetition Lien in the type or category of assets sold. Nothing contained herein shall constitute an amendment, modification or waiver of any terms or provisions of the Intercreditor Agreement or the rights of the MTI Agents thereunder, and any distribution of any Sale Proceeds to the MTI Agents for application to the MTI Obligations shall be consistent with all of the terms of the Intercreditor Agreement, including the Tax Savings Provisions."

"**N. Adequate Protection for Prepetition Secured Creditors and McKesson.** The priming of each Prepetition Secured Creditor's Prepetition Liens to the extent set forth below pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens set forth below, each Prepetition Secured Creditor and McKesson shall be entitled to receive adequate protection, as set forth in this Final Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of such Prepetition Secured Creditor's interest in its Prepetition Collateral or VMF Collateral resulting from, among other things, the subordination of such interest to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of such Prepetition Collateral or VMF Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively, and solely to the extent of such diminution in value, a "***Diminution in Value***"). Each Prepetition Secured Creditor has negotiated in good faith regarding the Debtors' use of their respective Prepetition Collateral to help fund the administration of the Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP

Motion and the record presented to the Court at the Interim Hearing and the Final Hearing, the terms of the proposed adequate protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Creditors and McKesson; *provided, however*, that nothing herein shall limit the rights of any of the Prepetition Secured Creditors or McKesson to hereafter seek new, additional, or different adequate protection."

"5(a) **Adequate Protection Replacement Liens**. To the extent that a Prepetition Secured Creditor suffers a Diminution in Value from and after the Petition Date with respect to its Prepetition Liens in any of its Prepetition Collateral, such Prepetition Secured Creditor shall be granted, pursuant to sections 361, 363(e), and 364(d) of the Bankruptcy Code, in addition to its Prepetition Liens, valid, perfected and enforceable security interests and Liens in the DIP Collateral, excluding the prepetition collateral held by WTNA with respect to the Clean Fund Bonds and the NR2 Petros Bonds, indenture held funds held by any of the MTI Agents, donor restricted funds held at Philanthropic Foundations and Avoidance Actions and any proceeds thereof (such Prepetition Secured Creditor's "***Prepetition Replacement Liens***"), which shall be junior only to (1) the Carve Out, (2) the DIP Liens securing the DIP Obligations, and (3) any perfected, unavoidable, prepetition liens on the DIP Collateral (including any unavoidable Prepetition Liens of such Prepetition Secured Creditor and any other Prepetition Secured Creditor). The priority of two or more Prepetition Replacement Liens, solely as among and between the holders of such Prepetition Replacement Liens, shall be as follows:

i. in the event that Prepetition Replacement Liens are granted hereunder to two or more of the MTI Agents, to the extent that such Prepetition Replacement Liens cover DIP Collateral that is a type or category of asset that constituted Prepetition Collateral of such MTI Agents, the priority of such Prepetition Replacement Liens solely as among and between such MTI Agents shall be governed by the Intercreditor Agreement as if such DIP Collateral subject to such Prepetition Replacement Liens were Prepetition Collateral of such MTI Agents immediately prior to the Petition Date;

ii. in the event that Prepetition Replacement Liens are granted hereunder to one or more MTI Agents and to the MOB Lenders,

to the extent that such Prepetition Replacement Liens cover DIP Collateral which is a type or category of asset that constituted Prepetition Collateral of such MTI Agents or the MOB Lenders, (x) the Prepetition Replacement Lien of the MTI Agents shall have priority over the Prepetition Replacement Lien of the MOB Lenders to the extent that such covered DIP Collateral is a type or category of asset that constituted Prepetition Collateral of the MTI Agents, and (y) the Prepetition Replacement Lien of the MOB Lenders shall have priority over the Prepetition Replacement Lien of the MTI Agents to the extent that such covered DIP Collateral is a type or category of asset that constituted Prepetition Collateral of the MOB Lenders; and

iii. in the event that Prepetition Replacement Liens are granted hereunder to any Prepetition Secured Creditor covering DIP Collateral which does not constitute Prepetition Collateral of any Prepetition Secured Creditor nor is a type or category of asset that constituted Prepetition Collateral of any Prepetition Secured Creditor, such Prepetition Replacement Liens shall rank *pari passu* and have equal priority with all Prepetition Replacement Liens granted in such DIP Collateral, and the holders of such Prepetition Replacement Liens shall be entitled to a *pro rata* distribution of the proceeds of any such Prepetition Replacement Liens.

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 any Diminution in Value in such VMF Collateral, and shall be *pari passu* with any the Prepetition Replacement Liens thereon, but junior to (m) Carve Out, and (n) the DIP Liens."

"5(c) **Prepetition Superpriority Claim**. To the extent that a Prepetition Secured Creditor suffers a Diminution in Value from and after the Petition Date with respect to its Prepetition Liens in any of its Prepetition Collateral, in addition to the Prepetition Replacement Lien granted to such Prepetition Secured Creditor pursuant to paragraph 5(a) of this Final Order on account of such Diminution in Value (a "***Related Prepetition Replacement Lien***"), such Prepetition Secured Creditor shall be granted, pursuant to sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code, an allowed, superpriority administrative expense claim (a "***Prepetition Superpriority Claim***") which shall have priority over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising, of any kind or nature whatsoever,

> including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d) 552, 726, 1113 and 1114 of the Bankruptcy Code; *provided*, *however*, any such Prepetition Superpriority Claim shall be junior and subordinate to (i) the Carve Out, and (ii) the DIP Superpriority Claim; *provided further*, if Prepetition Superpriority Claims are granted to more than one Prepetition Secured Creditor, then solely for the purpose of determining the relative rank and priority among and between such Prepetition Superpriority Claims, such rank and priority shall be the same as the relative rank and priority of the Related Prepetition Replacement Liens of such Prepetition Secured Creditors as determined by paragraph 5(a) of this Final Order."

20. Any Final Order should also reflect that it is based on the Secured Parties' consent, and is not based on any finding of the Court or admission by the Secured Parties that the Debtors have established sufficient adequate protection to impose the relief the Debtors are seeking. *See* ***Exhibit A*** Section K. Last, any Final Order should also reflect a number of technical modifications reflected in ***Exhibit A.***

21. A Final Order on the foregoing terms will result in a consensual order on the Financing Motion and therefore satisfy the requirements of the Bankruptcy Code. *Scottsdale Medical Pavilion v. Mutual Benefit Life Ins. Co. (In re Scottsdale Medical Pavilion),* 159 B.R. at 297.

(iii) The Secured Parties reserve all rights to challenge the Financing Motion if the requested provisions are not included in the Final Order.

22. Pending confirmation that the Debtors support, and that the Court will enter, a Final Order consistent with this objection, including ***Exhibit A***, the Secured Parties reserve all rights to require sufficient adequate protection as a condition to any further relief on the Financing Motion.

23. If the Debtors seek to impose the DIP Facility and a Final Order or other order granting relief in connection with the DIP Facility without the Secured Parties' consent, the Debtors must provide adequate protection that is crafted so as to preserve the *status quo* for affected secured creditors. *See In re 354 E. 66th St. Realty Corp.*, 177 B.R. 776, 781-782

(Bankr. E.D.N.Y. 1995) (noting that the purpose of adequate protection payments is to preserve the *status quo* for secured creditors); *see also Associates Commercial Corp. v. Rash (In re Rash),* 90 F.3d 1036, 1050 n. 17 (5th Cir. 1996), *rev'd on other grounds,* 520 U.S. 953 (1997) ("The adequate protection provisions . . . were included in the Bankruptcy Code in 1978, reflecting a few prior decisions in the case law that sought to protect secured creditors from a decline in the value of the collateral during the pendency of the stay").

24. Because the Debtors' requested priming liens and planned continued use of the Secured Parties' collateral, including cash collateral, would, by definition and simple math, diminish the Secured Parties' existing secured property interests, the Debtors could only meet the adequate protection burden they would shoulder (absent consent) by showing on a "firm evidentiary basis" that the Secured Parties' liens will be adequately protected from the decrease in value that will be caused if the Debtors impose the requested priming liens and use the Secured Parties' collateral. *See In re Windsor Hotel, L.L.C.*, 295 B.R. 307, 314 (Bankr. C.D. Ill. 2003); *see also In re Mosello,* 195 B.R. 277, 292 (Bankr. S.D.N.Y. 1996) ("[A]dequate protection should be premised on facts, or on projections grounded in a firm evidentiary basis"); *In re First South Sav. Ass'n,* 820 F.2d 700, 710 (5th Cir. 1987) ("Given the fact that super priority financing displaces liens on which creditors have relied in extending credit, a court that is asked to authorize such financing must be particularly cautious when assessing whether the creditors so displaced are adequately protected").

25. Absent the entry of a Final Order on terms consistent with those set forth herein, the Secured Parties are unwilling to agree that the adequate protection reflected in the Financing Motion and in the Draft Order satisfies the requirements of sections 361, 363 and 364 of the Bankruptcy Code.

26. If the Debtors choose to proceed with non-consensual relief on or in connection with the Financing Motion, the Secured Parties insist on verifiable compensation to offset the decline in the Secured Parties' collateral position that would be caused by the relief sought in the Financing Motion, including without limitation, the involuntary imposition of a priming lien

and the use of the Secured Parties' collateral. *See In re Swedeland*, 16 F.3d at 567.

(iv) No Final Order or other relief on the Financing Motion should provide adequate protection liens to any stakeholder on terms that prime any of the Secured Parties' prepetition liens.

27. Finally, the Court must ensure that no Final Order or other relief on the Financing Motion provides adequate protection liens to any stakeholder in these cases on terms that prime any of the Secured Parties' prepetition liens. The Draft Order, as presented by the Debtors before the Secured Parties provided the comments that appear in ***Exhibit A***, described adequate protection liens that would prime the Secured Parties' existing prepetition liens, and similarly prime the existing prepetition liens of almost every other secured creditor in these cases. *Id.* Section 5(a). There is no basis to provide adequate protection liens that displace the Secured Parties' existing liens, or displace the existing liens of other secured creditors in these cases. Any effort to impose that relief should be denied.

28. The Draft Order, as presented, included proposed adequate protection liens for the benefit of all Prepetition Secured Creditors. *See* ***Exhibit A*** Section 5. Without conceding the Debtors' assertions that the Secured Parties are receiving adequate protection in the first place, it is not surprising that the Debtors proposed adequate protection liens when the Debtors are seeking authority in the Financing Motion to incur the DIP Facility, are seeking to burden substantially all of the Debtors' assets with priming liens in favor of the DIP Lender, and are otherwise planning to continue to use assets and property that constitute the Prepetition Secured Creditors' respective collateral, including Cash Collateral.

29. The Debtors' proposed adequate protection liens are, however, surprising because they include an extraordinary feature that is not supported by legal authority, runs counter to fundamental policies, and must not be approved. The Draft Order specifically proposed that the adequate protection liens in these cases would be subject only to: (1) the Carve Out; (2) the DIP Liens securing the DIP Obligations; (3) any perfected, unavoidable, prepetition VMF Liens in VMF Collateral; and (4) certain perfected, unavoidable, prepetition liens granted by Holdings to U.S. Bank as security for the Series 2017 Working Capital Notes. *Id.* The Secured Parties are

informed that these terms are intended to produce adequate protection liens that would prime existing prepetition liens associated with the MTI Obligations and prime most other prepetition secured obligations in these cases.

30. The Debtors' suggested "priming" would completely upend the Debtors' prepetition capital structure. Among other wholesale changes this structure would cause, this structure would force the Secured Parties to serve as unwilling guarantors of each other Prepetition Secured Creditor in these cases at the expense of the Secured Parties' own interests, in effect imposing an intercreditor arrangement on non-debtor third parties. This scheme would also force the Secured Parties to provide adequate protection to other Prepetition Secured Creditors at the expense of their own interests in the Debtors' assets and property, and otherwise completely rearrange the Prepetition Secured Creditors' existing relative rights and bargained-for lending terms. If, for example, U.S. Bank suffers a Diminution in Value under this structure in its role as note indenture trustee and collateral agent for the Working Capital Notes, U.S. Bank would suddenly have adequate protection liens in the Secured Parties' collateral ahead of the Secured Parties' interests. As noted in the Financing Motion, the Prepetition Secured Creditors have carefully drawn relative rights. The Secured Parties did not agree, either before these cases commenced or after, to assume any role that resembles the Debtors' suggested adequate protection structure.

31. The Secured Parties have in ***Exhibit A*** struck the terms of the Draft Order that purported to provide adequate protection liens on priming terms, and oppose any effort to impose them or similar relief, since there is no authority under the Bankruptcy Code for adequate protection liens on a priming basis. *See* 11 U.S.C. §§ 363, 364. The only provision in the Bankruptcy Code that contemplates priming liens at all – section 364(d) – does not apply to adequate protection liens. Section 364(d) only contemplates priming liens for the benefit of lenders advancing post petition loans.[5] *See* 11 U.S.C. § 364(d); *Shapiro v. Saybrook Mfg. Co.*

[5] Even under these conditions, section 364(d) conditions any priming lien on a showing that other requirements, including sufficient adequate protection for existing lienholders, are met. 11 U.S.C. § 364(d).

(In re Saybrook Mfg. Co.), 963 F.2d 1490, 1494 (11th Cir. 1992) ("By their express terms, sections 364(c) & (d) apply only to future -- i.e., post-petition -- extensions of credit. They do not authorize the granting of liens to secure pre-petition loans"). Currently, only the DIP Lender is providing new funds to the Debtors.

32. Courts that have considered exactly this issue have rejected the notion that adequate protection liens can be approved on terms that prime existing liens. *Desert Fire Prot. v. Fountainebleau Las Vegas Holdings, LLC (In re Fountainebleu Las Vegas Holdings, LLC)*, 434 B.R. 716, 758 (S.D. Fla. 2010) ("Nothing in the Bankruptcy Code . . . appears to authorize a bankruptcy court to prime a secured creditor as a kind of adequate protection for the use of cash collateral"). The Court should similarly reject any invitation by the Debtors or other stakeholders in these cases to impose an adequate protection scheme with these attributes given this lack of authority.

33. The Court should otherwise reject adequate protection liens with priming features since a Final Order on those terms would impose a wholesale change in the Secured Parties' bargained-for rights, and go well beyond the intended purpose of adequate protection.

34. The Debtors cannot, in the name of adequate protection, impose what amounts to an intercreditor arrangement upon the Prepetition Secured Creditors. Importantly, " [n]either the legislative history nor the [Bankruptcy] Code indicate that Congress intended the concept of adequate protection to go beyond the scope of protecting the secured claim holder from a diminution in the value of the collateral securing the debt." *In re Pine Lake Vill. Apartment Co.*, 19 B.R. 819, 824 (Bankr. S.D.N.Y. 1982). The Court should reject any invitation to provide wide-ranging relief of this sort for these additional reasons.

RESERVATION OF RIGHTS

35. The Secured Parties will necessarily evaluate any other objections or other responses to the Financing Motion, whether in opposition to or in further support of the Financing Motion. The relief sought in other objections or submissions could require further response. For the avoidance of doubt, and for the foregoing reasons, the Secured Parties reserve

all rights to file further objections to the Financing Motion, make related arguments, and introduce testimony and other evidence at any hearing in connection with the Financing Motion on any matters that may be relevant to the requested relief, whether or not those issues are described herein.

WHEREFORE, the Secured Parties respectfully request that the Court: (i) deny any aspect of the Financing Motion that forms the basis for the objections stated herein; (ii) condition further relief on the Financing Motion on terms consistent with the foregoing terms; (iii) modify any Final Order in accordance with the objections stated herein; and (iv) grant such further relief as the Court deems appropriate.

Dated: September 25, 2018

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

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

and

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

Attorneys for

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

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 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*) September 25, 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*) September 25, 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*) September 25, 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	

☒ 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.

9/25/18	Diane Hashimoto		/s/ Diane Hashimoto
Date	*Printed Name*		*Signature*

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SCHEDULE A

Wells Fargo Bank, N.A. v. Sonora Desert Dairy, L.L.C. (In re Sonora Desert Dairy, L.L.C.)

United States Bankruptcy Appellate Panel for the Ninth Circuit

November 20, 2014, Argued and Submitted at Phoenix, Arizona; January 5, 2015, Filed

BAP Nos. AZ-13-1471-KiDJu, AZ-13-1555-KiDJu (Consolidated Appeals)

Reporter
2015 Bankr. LEXIS 18 *

In re: SONORA DESERT DAIRY, L.L.C., et al., Debtors.WELLS FARGO BANK, N.A., Appellant, v. SONORA DESERT DAIRY, L.L.C.; SONORA DESERT DAIRY II, L.L.C.; SONORA DESERT DAIRY III, L.L.C.; LUECK CATTLE COMPANY, L.L.C.; BOB LUECK FARMS, L.L.C.; AGSTAR FINANCIAL SERVICES, FLCA; OFFICIAL JOINT COMMITTEE OF UNSECURED CREDITORS, Appellees.

Notice: THIS DISPOSITION IS NOT APPROPRIATE FOR PUBLICATION. ALTHOUGH IT MAY BE CITED FOR WHATEVER PERSUASIVE VALUE IT MAY HAVE (SEE *FED. R. APP. P. 32.1*), IT HAS NO PRECEDENTIAL VALUE. SEE 9TH CIR. BAP RULE 8013-1.

Prior History: [*1] Appeal from the United States Bankruptcy Court for the District of Arizona. Bk. Nos. 12-00262, 12-00263, 12-00264, 12-00265, 12;00266 (Jointly Administered). Honorable Randolph J. Haines, Bankruptcy Judge, Presiding.

Case Summary

Overview

HOLDINGS: [1]-The appeals were not moot. The Panel had jurisdiction under *28 U.S.C.S. § 158*; [2]-The bankruptcy court erred when it ordered the bank to apply the $516,000 payment to its debtor-in-possession (DIP) Loan and deemed the bank's lien satisfied; [3]-Citing *11 U.S.C.S. § 364(d)* as governing law, the Panel distinguished the bank's role as a prepetition secured creditor from its role as a DIP lender and the corresponding differences between the collateral used to secure both debts. Thus, the collateral securing each debt required specific identification and the ban's distinguishing roles associated with the two debts warranted a different calculus; [4]-The bankruptcy court did not violate the bank's due process rights when it entered the Supplemental DIP Order.

Outcome

The court vacated the DIP Order and remanded it to the bankruptcy court for further proceedings. As to the Supplemental DIP Order, the court affirmed.

LexisNexis® Headnotes

Bankruptcy Law > Administrative Powers > Adequate Protection

Bankruptcy Law > ... > Judicial Review > Standards of Review > Clear Error Review

Bankruptcy Law > ... > Judicial Review > Standards of Review > De Novo Standard of Review

HN1[] **Administrative Powers, Adequate Protection**

An appellate panel reviews a bankruptcy court's conclusions of law de novo and its factual findings for clear error. An adequate protection determination and an authorization to use cash collateral are factual issues reviewed for clear error. Factual findings are clearly erroneous if illogical, implausible or without support in the record.

Bankruptcy Law > ... > Judicial Review > Standards of Review > De Novo Standard of Review

Constitutional Law > ... > Fundamental Rights > Procedural Due Process > General Overview

HN2[] **Standards of Review, De Novo Standard of Review**

Whether the bankruptcy court's procedures comport with due process is a question of law reviewed de novo.

Civil Procedure > ... > Justiciability > Mootness > General Overview

Evidence > Burdens of Proof > General Overview

Civil Procedure > Appeals > Appellate Jurisdiction > General Overview

HN3[] **Justiciability, Mootness**

A party bears a heavy burden to demonstrate appeals are moot.

Bankruptcy Law > Procedural Matters > Judicial Review > Jurisdiction

Civil Procedure > ... > Justiciability > Mootness > General Overview

HN4[] **Judicial Review, Jurisdiction**

A bankruptcy appellate panel has an independent duty to determine whether appellate jurisdiction exists. It lacks jurisdiction to decide moot appeals. If an appeal becomes moot while it is pending before the Panel, the Panel must dismiss it.

Civil Procedure > ... > Justiciability > Mootness > General Overview

Civil Procedure > Appeals > Appellate Jurisdiction > General Overview

HN5 **Justiciability, Mootness**

Failure to seek a stay can render an appeal equitably moot. For an appeal to be equitably moot, the question is whether the case presents transactions that are so complex or difficult to unwind that the doctrine of equitable mootness would apply. Ultimately, the decision whether or not to unscramble the eggs turns on what is practical and equitable.

Civil Procedure > ... > Justiciability > Mootness > General Overview

Civil Procedure > Appeals > Appellate Jurisdiction > General Overview

HN6 **Justiciability, Mootness**

In the context of an appeal, failure to seek a stay may, by itself, render a party's claim equitably moot.

Bankruptcy Law > ... > Bankruptcy > Administrative Powers > Postpetition Credit

HN7 **Administrative Powers, Postpetition Credit**

Under *11 U.S.C.S. § 364(e)*, if the bankruptcy court found that the lender acted in good faith in extending the postpetition loan, a reversal or modification of the unstayed financing order on appeal does not affect the validity of the creditor's loan or any liens or priorities securing the loan. *11 U.S.C.S. § 364(e)*.

Bankruptcy Law > ... > Bankruptcy > Administrative Powers > Postpetition Credit

HN8 **Administrative Powers, Postpetition Credit**

See *11 U.S.C.S. § 364(e)*.

Bankruptcy Law > Administrative Powers > Adequate Protection

Bankruptcy Law > ... > Bankruptcy > Administrative Powers > Postpetition Credit

Bankruptcy Law > Procedural Matters > Judicial Review > General Overview

HN9 **Administrative Powers, Adequate Protection**

11 U.S.C.S. § 364(e) does not restrict an appellate panel from reviewing whether the bankruptcy court provided the creditor with adequate protection and whether the court violated the creditor's due process rights.

Bankruptcy Law > Administrative Powers > Adequate Protection

Evidence > Burdens of Proof > Allocation

Bankruptcy Law > ... > Bankruptcy > Administrative Powers > Postpetition Credit

HN10 **Administrative Powers, Adequate Protection**

To obtain debtor-in-possession (DIP) financing that involves a senior or "priming" lien on encumbered property, the debtor-in-possession must show that (1) it was unable to obtain credit without granting such liens and (2) the value of the prepetition lender's lien that will be primed by the DIP lender's lien is adequately protected. *11 U.S.C.S. § 364(d)(1)*. The debtor bears the burden of proof on the issue of adequate protection. *11 U.S.C.S. § 364(d)(2)*. The purpose of the adequate protection requirement under *§ 364(d)* is to protect an existing lienholder from any decrease in the value of its security interest resulting from the priming lien. In other words, adequate protection is provided to ensure that the prepetition creditor receives the value for which the creditor bargained prebankruptcy.

Bankruptcy Law > Administrative Powers > Adequate Protection

Bankruptcy Law > ... > Bankruptcy > Administrative Powers > Postpetition Credit

HN11 **Administrative Powers, Adequate Protection**

See *11 U.S.C.S. § 362(d)*.

Bankruptcy Law > Administrative Powers > Adequate Protection

HN12 **Administrative Powers, Adequate Protection**

Adequate protection may be provided by (1) periodic cash payments, (2) additional or replacement liens or (3) other relief resulting in the "indubitable equivalent" of the secured creditor's interest; refer to *11 U.S.C.S. § 361*). In addition, the requirement to provide adequate protection can be met by showing the existing lienholder is oversecured with a substantial equity cushion. What constitutes adequate protection is to be decided flexibly on a case-by-case basis.

Bankruptcy Law > ... > Types of Claims > Secured Claims & Liens > General Overview

HN13 **Types of Claims, Secured Claims & Liens**

See *11 U.S.C.S. § 552(b)(1)*.

Civil Procedure > Judgments > Preclusion of Judgments > Law of the Case

HN14 **Preclusion of Judgments, Law of the Case**

This discretionary, judicially-imposed doctrine ("law of the case" doctrine) precludes a court from reconsidering an issue explicitly or impliedly decided by a prior disposition from the same court or a higher court.

Bankruptcy Law > ... > Bankruptcy > Administrative Powers > Postpetition Credit

Constitutional Law > ... > Fundamental Rights > Procedural Due Process > Scope of Protection

HN15 **Administrative Powers, Postpetition Credit**

An integral part of *11 U.S.C.S. § 364* is the requirement that notice and a hearing be granted before a court order is issued. The phrase "notice and a hearing," as defined in *11 U.S.C.S. § 102(1)*, is a term of art. It does not mean that a hearing must be granted. The bankruptcy court may act without a hearing if notice has been properly given and (1) a hearing has not been requested or (2) there is insufficient time for one. *11 U.S.C.S. § 102(1)(B)*. Notice means "such notice as is appropriate in the particular circumstances." *11 U.S.C.S. § 102(1)(A)*. Nowhere is there any provision for an action to be taken without notice where "notice and a hearing" are required." This is true even in emergency situations.

Counsel: For appellant: Robert J. Miller, Esq., of Bryan Cave LLP.

For AgStar Financial Services, FCLA., appellee: Michael S. Dove, Esq., of Gislason & Hunter LLP.

Judges: Before: KIRSCHER, DUNN and JURY, Bankruptcy Judges.

Opinion

MEMORANDUM[1]

Creditor Wells Fargo Bank, N.A. ("Wells Fargo") appeals: (1) an order authorizing a postpetition financing loan from creditor AgStar Financial Services, FLCA, as loan servicer and attorney-in-fact for First National Bank of Altus ("AgStar"); and (2) a supplemental order authorizing the debtors to receive additional postpetition advances from AgStar. We VACATE and REMAND the first order; we AFFIRM the second order.

I. FACTUAL BACKGROUND AND PROCEDURAL HISTORY

[1] This disposition is not appropriate for publication. Although it may be cited for whatever persuasive value it may have (see ***Fed. R. App. P. 32.1***), it has no precedential value. See 9th Cir. BAP Rule 8013-1.

A. The parties

The debtors ("Debtors") consist of five entities[2] owned and operated by Robert Lueck ("Lueck"), a dairy farmer with 37 years of experience **[*2]** in the dairy business. Debtors filed their chapter 11[3] bankruptcy cases on January 6, 2012, in response to Wells Fargo's assertion that it was going to seek the appointment of a receiver.

On the petition date, Debtors' assets consisted primarily of: (1) a 518 acre property on which Debtors conducted their dairy operations (the "Dairy Property"); (2) a 1,373 acre farm known as the Arlington Farm; and (3) a dairy herd of approximately 8,000 animals, related feed inventory and milk production. In September 2010, an appraisal by AgStar valued the Arlington Farm at $13.7 million and the Dairy Property at $23 million (the "Debtors' Appraisal") for a total of $36.7 million.

AgStar and Wells **[*3]** Fargo comprise Debtors' two largest secured creditors. Debtors owed AgStar, their real estate lender, approximately $14.7 million as of the petition date (the "AgStar Prepetition Loan"). Debtors secured this loan by first liens on the Dairy Property and the Arlington Farm. Debtors owed Wells Fargo approximately $11.5 million on an operational revolving line of credit (the "Wells Fargo Prepetition Loan"). Debtors secured the Wells Fargo Prepetition Loan by Debtors' personal property, including the dairy herd, feed inventory and milk proceeds.

The United States Trustee appointed a creditors' committee ("Committee") consisting primarily of Debtors' feed suppliers, who asserted approximately $3.3 million in unsecured nonpriority claims.

Early in the cases, Debtors contended that the value of their assets exceeded $50 million and that all their prepetition secured and unsecured obligations totaled less than $27 million. Debtors expected to pay all creditors in full; Lueck expected to retain at least $20 million in equity.

B. The cash collateral orders

In their first-day cash collateral motion, Debtors contended that as of the petition date the Dairy Property and Arlington Farm had a value no **[*4]** less than $36.7 million, based on Debtors' Appraisal and Lueck's opinion. Wells Fargo did not dispute these values. Debtors scheduled the Arlington Farm at a value of $15 million, but Debtors expected to sell it for $13-$14 million. Debtors further contended that the value of the dairy herd and feed inventory exceeded Wells Fargo's debt by $1 million. Lueck testified days later in response to Wells Fargo's motion to appoint an examiner[4] that the value of the dairy herd and feed inventory approximated $14.5 million, which exceeded Wells Fargo's debt. Debtors agreed to make monthly interest payments of $30,000 to Wells Fargo at the default contract rate.

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[2] The five debtors are: Sonora Desert Dairy, L.L.C.; Sonora Desert Dairy II, L.L.C.; Sonora Desert Dairy III, L.L.C.; Lueck Cattle Company, L.L.C.; and Bob Lueck Farms, L.L.C. The bankruptcy court ordered on January 12, 2012, that Debtors' cases be jointly administered. Debtors' cases were substantively consolidated on May 7, 2012. Debtors' chapter 11 cases were converted to chapter 7 on December 4, 2013.

[3] Unless specified otherwise, all chapter, code and rule references are to the Bankruptcy Code, ***11 U.S.C. §§ 101-1532***, and the *Federal Rules of Bankruptcy Procedure, Rules 1001-9037*.

[4] Eleven days into the bankruptcy cases, Wells Fargo filed a motion to appoint an examiner, which eventually became an alternative motion to appoint a trustee. Debtors and the Committee opposed it. After a three-day evidentiary hearing on March 22, 28 and 29, 2012, the bankruptcy court denied Wells Fargo's motion on May 8, 2012.

The bankruptcy court entered a stipulated order on Debtors' first interim cash collateral motion on January 24, 2012. In exchange for use of its cash collateral, Debtors provided Wells Fargo a replacement lien for **[*5]** its prepetition collateral. A series of interim cash collateral motions followed; Wells Fargo objected to them. Given concerns with monthly losses in the value of Debtors' dairy herd and feed inventory during the pendency of the case, Wells Fargo contended that its collateral suffered diminution in value since the petition date.[5]

The bankruptcy court issued at least sixteen interim cash collateral orders. Beginning with the second interim order and in subsequent interim orders, the bankruptcy court imposed a replacement lien for its prepetition collateral and junior liens on Debtors' real property for the benefit of Wells Fargo, which served as adequate protection for the Wells Fargo Prepetition Loan. Despite any losses in the prepetition collateral, Debtors asserted that the junior liens on Debtors' real property adequately protected Wells Fargo. The orders entered after the bankruptcy court approved the Wells Fargo DIP loan, discussed **[*6]** more thoroughly below, also allowed for the priming of AgStar's senior lien on Debtors' real property, giving Wells Fargo a $500,000 superpriority lien.

C. Debtors' proposed chapter 11 plans

Meanwhile, Debtors filed their initial chapter 11 plan and disclosure statement on March 21, 2012. Debtors' plan proposed to implement the orderly sales of the Arlington Farm, the Dairy Property and other assets Debtors used in their business operations, including the dairy herd, feed inventory and various equipment. Debtors opposed Wells Fargo's alleged desire to "fire sale" the dairy herd, contending it would result in significantly less funds for the estate. Debtors intended to continue operating the dairy farm until a suitable buyer could be found and a sale of the Dairy Property could be completed as a going concern. A working dairy farm may be more valuable than a nonoperational or "dark" one. Debtors asserted that the proceeds realized from the sale of the Arlington Farm, the Dairy Property and other operating assets would be sufficient to pay off the AgStar Prepetition Loan, the Wells Fargo Prepetition Loan and other secured creditors; the remaining proceeds would pay all of the allowed unsecured **[*7]** claims. In March 2012, Debtors expected over a six-to-nine month period to sell the Arlington Farm for between $10-$12 million (as opposed to the original $13-$14 million figure) and to sell the Dairy Property for between $20-$25 million.[6]

Ultimately, the Arlington Farm sold at auction for $8.425 million on August 9, 2012. From these proceeds, AgStar received $7.8 million and credited it to its debt of approximately $14.9 million; Wells Fargo received nothing. Wells Fargo now would have to look to the Dairy Property for adequate protection should the Wells Fargo Prepetition Loan not be satisfied by the prepetition collateral plus the replacements liens.

Debtors filed their first amended chapter 11 plan and disclosure statement on June 4, 2012. Debtors contended for the first time that the Wells Fargo Prepetition **[*8]** Loan was undersecured by between $1.4

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[5] Wells Fargo also initially accused Lueck of conducting "cull" sales of cattle and failing to tender all of the sale proceeds to Wells Fargo, a claim that was later determined to be unfounded. A "cull" sale is a routine sale of ill, aged or nonproductive cows.

[6] Debtors' real estate broker Charles Havranek ("Broker") confirmed these numbers at the March 29, 2012 evidentiary hearing on Wells Fargo's motion to appoint an examiner or trustee. Larry Clayton, the Wells Fargo employee in charge of the Wells Fargo Prepetition Loan, testified that he agreed with the Broker's figures, which totaled $30 million for the two properties on the low end.

and $5.95 million as of the petition date.[7] Debtors' Broker estimated that if operations ceased and the Dairy Property went "dark," its value would decline by at least 20% or a minimum of $5,000,000, based on a sale price between $20-$25 million. Thus, Debtors' projected losses of $875,000 during the summer months were far less than the $5,000,000 reduction that would be realized if the Dairy Property were sold "dark." Debtors ultimately withdrew their first amended plan.

D. Wells Fargo's first motion for relief from stay

qWells Fargo moved for relief from stay with respect to the dairy herd on June 28, 2012. After several postpetition sales of portions of the dairy herd, Debtors still owed Wells Fargo approximately $10.3 million. Wells Fargo argued that since the petition date, the dairy herd and feed inventory had declined in value by approximately $2.0 million, from $11.2 million to $9.2 **[*9]** million and it expected more losses. Wells Fargo disputed the Broker's opinion that the Dairy Property would be devalued by as much as $5 million if the dairy were shut down and the herd sold, leaving the real property and improvements to be sold alone. The Broker had admitted at deposition that he did no analysis to support this opinion and had no meaningful experience in this factual situation. Further, argued Wells Fargo, Debtors' position that the Dairy Property and Arlington Farm had sufficient value to cover all secured claims was disingenuous. Wells Fargo's recent appraisal of the two properties valued them at only $27.5 million. Thus, if foreclosure of the properties occurred, Wells Fargo's interest possibly would be wiped out. Wells Fargo disputed Debtors' position that it was undersecured by as much as $5.95 million on the petition date.

Debtors and the Committee opposed Wells Fargo's stay relief motion, contending that Wells Fargo was adequately protected with the replacement lien and junior liens on Debtors' real properties, and that the loss of the dairy herd would unnecessarily result in a reduction of the value of Debtors' assets.

The bankruptcy court denied Wells Fargo's **[*10]** request for stay relief on November 9, 2012, on the basis that it was adequately protected. At the hearing on November 5, 2012, the bankruptcy court pointed to Wells Fargo's appraisal valuing the Dairy Property at $21 million, which was consistent with Debtors' Appraisal. Based on the parties' estimates on the sale of the dairy herd and feed inventory at between $4.9 and $7.3 million and Wells Fargo's debt of $10 million, the court calculated that a sale of the collateral would leave Wells Fargo with a deficit of between $2.7 and $5.1 million. Subtracting out AgStar's remaining senior debt of $8 million, a sale of the Dairy Property for $21 million would leave approximately $13 million in equity for Wells Fargo and other creditors. So, worst case scenario, Wells Fargo had an equity cushion of 39%.

However, to protect Wells Fargo's interest in its collateral, the court ordered that: (1) Wells Fargo be given a valid and perfected junior lien in the Dairy Property; (2) the Dairy Property be sold by March 31, 2013, and if no sale was completed by that date, then (i) Debtors had to begin selling the dairy herd on April 1, 2013, to be completed by May 15, 2013, and pay all proceeds to Wells **[*11]** Fargo, who had the right to object and credit bid, and (ii) Wells Fargo would have stay relief as to the dairy herd effective May 15, 2013.

[7] Debtors clarified in their ninth interim cash collateral motion that Wells Fargo was undersecured by at least $1,491,000 or as much as $5,684,367, based on Wells Fargo's own internal inspection conducted on January 4, 2012, just two days prior to the petition date.

E. AgStar's first DIP motion; Wells Fargo's DIP loan and the Final DIP order

Meanwhile, on July 18, 2012, Debtors filed their motion for an order: (1) authorizing postpetition financing from AgStar on a secured basis; (2) compromising and restructuring AgStar's debt under *Rule 9019*; and (3) granting AgStar relief from stay ("First AgStar DIP Motion"). In short, Debtors sought a $1 million postpetition line of credit from AgStar, secured by a priming lien on the Arlington Farm and Dairy Property. The terms of the proposed DIP loan included an interest rate of 7% and a $10,000 origination fee. Debtors argued that even with a $1 million priming lien to AgStar, both AgStar and Wells Fargo were adequately protected by a substantial equity cushion, based on an approximate value of the Arlington Farm and Dairy Property at $33.5 million.

Wells Fargo opposed the First AgStar DIP Motion. Although concerned with the increasing decline in the value of the dairy herd and feed inventory since the petition date, Wells Fargo offered to provide Debtors with a $1 million DIP **[*12]** loan, secured by a superpriority priming lien on the Dairy Property. Wells Fargo offered 6% interest and no origination fee. The initial July 30 hearing on the First AgStar DIP Motion was continued to August 16, 2012, then continued again to November 5 and November 8 for an evidentiary hearing.

Prior to the August 16 hearing, Wells Fargo filed a supplemental brief, which included the detailed terms for Wells Fargo's proposed DIP loan. Wells Fargo explained that it had been forced to negotiate its DIP loan with the Committee rather than Debtors, because it was Debtors' and AgStar's position that Wells Fargo was not entitled to have private negotiations with Debtors. Wells Fargo believed the economic terms of its proposed DIP loan were better than AgStar's.

Debtors filed a supplemental declaration from Lueck. Despite Wells Fargo's offer, Lueck continued to believe that AgStar's proposed financing was in the best interest of creditors. Wells Fargo's conditional requirement to sell the dairy herd by December 31, 2012, whether or not the Dairy Property had been sold, concerned Lueck. Lueck believed a forced liquidation of the herd would impair the value of the Dairy Property and would only **[*13]** benefit Wells Fargo. Lueck further declared that he did not trust Wells Fargo to actually provide the funds.

At the November 5 evidentiary hearing on the First AgStar DIP Motion, the bankruptcy court expressed its concern that although Wells Fargo had proposed a DIP loan, no motion had been filed. Further, circumstances had changed — i.e., the Arlington Farm had been sold — so AgStar's proposed DIP loan terms were outdated. The court was also concerned with Debtors' failure to negotiate in good faith with Wells Fargo. If competing DIP loans were put before it, the court stated it would choose which one benefitted Debtors; the constant fighting between the parties would no longer be tolerated.

The court and parties further discussed the details of AgStar's revised DIP loan terms and Wells Fargo's proposed DIP loan terms at a continued hearing on November 8, 2012. Ultimately, the bankruptcy court approved the DIP loan proposed by Wells Fargo (the "DIP Loan") and denied approval of the First AgStar DIP Motion. Although the court expressed its reluctance to authorize the priming of AgStar's senior lien, it concluded the "very sufficient adequate protection" supported priming. The bankruptcy **[*14]** court overruled AgStar's due process and notice objections regarding the priming of its lien.

The bankruptcy court entered an interim order approving Debtors' continued use of cash collateral and approving the DIP Loan for $500,000 on November 9, 2012. Wells Fargo received, in addition to the

junior lien on the Dairy Property for its prepetition debt, a priming lien senior to that of AgStar's lien on the Dairy Property and of any administrative expenses — i.e., a superpriority lien — in exchange for the DIP funds. Wells Fargo's priming lien could not be made subordinate to, or made pari passu with, any other lien under *§ 364(d)*. In addition, so long as the DIP Loan remained outstanding, the interim order prohibited Debtors: from granting any liens on all postpetition collateral (the Dairy Property, insurance proceeds, cash proceeds, products, rents, etc.) senior or equal to the DIP lien of Wells Fargo; and from using any cash collateral of Wells Fargo or any proceeds from the DIP Loan for purposes other than those set forth in the budget agreed to by the parties. The bankruptcy court held a hearing for a final DIP order on November 26, 2012, overruled AgStar's and Debtors objections and entered **[*15]** a final order on November 29, 2012 ("Final DIP Order"). Debtors ultimately drew the entire $500,000 in available funds from the DIP Loan.

F. Debtors' multiple cattle sales

Over the course of the next few months and pursuant to the conditional stay relief granted to Wells Fargo with respect to the dairy herd, Debtors filed multiple motions to sell portions of the dairy herd under *§ 363(f)*. The sale motions were either granted over Wells Fargo's objection or stipulated to by Wells Fargo. Wells Fargo received all sale proceeds.

G. AgStar's motion for relief from stay

On May 9, 2013, AgStar moved for relief from stay under *§ 362(d)(1)* and *(d)(2)* to foreclose on the Dairy Property. By that time, Debtors owed approximately $7.4 million on the AgStar Prepetition Loan, which was junior to Wells Fargo's DIP lien and senior to Wells Fargo's junior lien on the Dairy Property. The Dairy Property had initially been listed for $27 million, then reduced to $20 million, then reduced again to $16 million. The total liens on the property approximated $15.4 million. Because the remaining dairy herd would soon be liquidated pursuant to the stay relief granted to Wells Fargo, AgStar contended the Dairy Property would decline another **[*16]** 10%-20% in value once it went dark. Broker costs amounted to $240,000 based on a sale price of $16 million. Thus, argued AgStar, relief from stay was warranted as little, if any, equity was available in the Dairy Property.

AgStar also revealed for the first time that it had conducted an appraisal of the Dairy Property in June 2012; it was valued at $15.5 million. Debtors' water rights were valued at $750,000.

H. Wells Fargo's second motion for relief from stay

Wells Fargo moved for relief from stay again on May 31, 2013. By this time, Debtors had sold the entire dairy herd and paid all proceeds to Wells Fargo. Wells Fargo contended that Debtors had incurred losses of more than $4.8 million in their dairy operations since the petition date, severely diminishing the bank's cash, herd, feed and other collateral. Wells Fargo contended that based on Debtors' figures in their April operating reports, the Wells Fargo Prepetition Loan exceeded the value of Debtors' remaining personal property (equipment, etc.) by $210,000. Thus, argued Wells Fargo, it was entitled to stay relief as to the personal property under *§ 362(d)(1)* and *(d)(2)*.

AgStar opposed Wells Fargo's second stay relief motion. In short, AgStar argued **[*17]** that because the purpose of the DIP Loan was to provide monies for Debtors' ongoing operations and the monies at issue were generated from Debtors' dairy operations, then those monies should be used to pay back the DIP Loan. AgStar argued that Wells Fargo's attempt to apply all existing monies to its prepetition debt severely prejudiced AgStar and provided a windfall to Wells Fargo by allowing its $500,000 priming lien to remain intact.

I. AgStar's second DIP motion and related DIP order - the basis of Wells Fargo's first appeal

As of May 30, 2013, Debtors owed Wells Fargo approximately $6 million, including the $500,000 DIP Loan. On June 6, 2013, Debtors tendered a payment of $516,826.97 to Wells Fargo to satisfy the DIP Loan and a payment of $239,006.34 to be applied to the Wells Fargo Prepetition Loan.

Just days later on June 12, 2013, Debtors filed a motion to: (1) authorize a DIP loan from AgStar for $315,000 for winding down purposes (the "AgStar DIP Loan"); (2) grant AgStar and Wells Fargo conditional relief from stay; (3) authorize the sale of the Dairy Property under *§ 363(f)*; (4) approve the bidding procedures for the Dairy Property; (5) set the date for the auction; and (6) grant other **[*18]** related relief (the "Second AgStar DIP Motion"). As for the proposed AgStar DIP Loan, AgStar agreed to fund Debtors' operation through November 8, 2013, pursuant to an agreed wind down budget. In exchange, AgStar would be given a priming lien on the Dairy Property (including all insurance proceeds, cash proceeds, products, rents, etc.) senior to that of Wells Fargo's DIP lien. To obtain the DIP financing from AgStar, Debtors were required to first pay off Wells Fargo's DIP Loan and satisfy the priming lien. AgStar's DIP lien could not be subordinate to, or made pari passu with, any other lien under *§ 364(d)*. Debtors argued that giving AgStar a priming lien over Wells Fargo was warranted because both AgStar and Wells Fargo were adequately protected based on the equity cushion in the Dairy Property.

As for the sale of the Dairy Property, Debtors sought authorization to auction it on October 4, 2013. Should the Dairy Property not sell at auction, AgStar and Wells Fargo would be granted stay relief to foreclose on the property after December 2, 2013.

Wells Fargo opposed the Second AgStar DIP Motion.[8] It argued that under the Final DIP Order, which was never appealed, Debtors were not allowed to use **[*19]** any of its cash collateral or proceeds from the DIP Loan for any other purpose than what was agreed to in Debtors' budget, unless they had prior written consent from Wells Fargo; repaying its DIP Loan was not an allowed use and Wells Fargo did not consent. In Wells Fargo's opinion, Debtors were attempting to use collateral for a loan for which a significant repayment risk existed (the Wells Fargo Prepetition Loan) to repay a loan for which minimal repayment risk existed (the DIP Loan). Wells Fargo argued that no adequate protection could exist under those circumstances.

Wells Fargo further argued that the Final DIP Order prohibited Debtors from obtaining DIP financing and granting any liens on the prepetition collateral or the postpetition collateral (including the Dairy Property) senior to, or on parity with, Wells Fargo's DIP lien. Despite Debtors' intent to pay off the DIP Loan with its tender of $516,000, Wells Fargo refused to apply it as such and placed the money into escrow pending resolution of the dispute. Thus, because the DIP lien was still outstanding, **[*20]** argued Wells Fargo,

[8] Wells Fargo also agreed to provide Debtors with additional DIP financing, but Debtors contended the terms were less favorable.

Debtors could not grant AgStar a senior lien. Wells Fargo did not oppose, generally, the sale of the Dairy Property.

A hearing on the Second AgStar DIP Motion was held on June 26, 2013. Wells Fargo reiterated its objection to Debtors using the milk proceeds, which secured the Wells Fargo Prepetition Loan, to pay off the DIP Loan. In response, the bankruptcy court inquired why the pay off of the DIP Loan was not, dollar for dollar, adequate protection for Wells Fargo; it eliminated a priority lien that was a lien against all of Wells Fargo's prepetition collateral. Counsel replied that the $500,000 in milk proceeds was cash collateral and the security for Wells Fargo's prepetition debt; the priming DIP lien was secured by the Dairy Property only, not all of Wells Fargo's prepetition collateral. When the court asked counsel why Debtors could not pay off the DIP Loan with the milk proceeds, counsel stated that Debtors could pay off the DIP Loan with the sale proceeds from the Dairy Property; Debtors could not use the cash collateral that secured Wells Fargo's prepetition debt to pay the postpetition debt obligation or they were not adequately protected. The court disagreed **[*21]** and countered that all Debtors had to show was that Wells Fargo was adequately protected for this particular use of cash collateral, not that Wells Fargo would never incur a loss on its prepetition debt. In other words, Debtors had to demonstrate that this use of cash collateral — to pay off the DIP Loan — would not cause greater loss to Wells Fargo. Since the cash was being used to pay down a lien that otherwise was senior to the Wells Fargo Prepetition Loan, the court could not see how that use of cash collateral created a greater loss to Wells Fargo. Counsel then referred back to the Final DIP Order, which expressly set forth the uses for the cash collateral; paying off the DIP Loan was not an approved use.

After further discussion, and in absence of any contrary authority cited by counsel for Wells Fargo, the bankruptcy court ruled:

> The debtor may use cash collateral to pay Wells Fargo and since the general common law rule is a voluntary payor has the right and power to designate how any payment shall be applied, debtor also has the right and power to designate that upon turning this cash collateral over to Wells Fargo it shall be applied to the DIP [L]oan.

Hr'g Tr. 19:18-23, June 26, 2013. **[*22]** The bankruptcy court further found "as a matter of law" that Debtors' use of the $516,000 in cash collateral to pay off the DIP Loan was adequate protection for the Wells Fargo Prepetition Loan. Accordingly, the Second AgStar DIP Motion was granted. Based on the court's ruling, Wells Fargo's objection as to the priming of its DIP lien by the AgStar DIP lien was overruled.

The bankruptcy court entered an order granting the Second AgStar DIP Motion on July 12, 2013 (the "AgStar DIP Order"). The court: ordered Wells Fargo to apply the funds received to the DIP Loan and to release its priming lien on the Dairy Property; gave AgStar a priming lien in the amount of $315,000 over its own senior lien on the Dairy Property; and declared that AgStar's DIP lien could not be made subordinate to, or made pari passu with, any other lien under *§ 364(d)*. The court found AgStar to be a good faith lender entitled to the protections of *§ 364(e)*. An auction to sell the Dairy Property was to occur on October 4, 2013, but in the event it did not sell, AgStar and Wells Fargo were granted stay relief to foreclose on the property after December 2, 2013. The AgStar DIP Order contemplated that other issues raised in the Second **[*23]** AgStar DIP Motion would be decided at a later hearing.

Wells Fargo timely moved to amend the AgStar DIP Order on July 19, 2013. In short, Wells Fargo contended that the AgStar DIP Order, in its form lodged unilaterally by Debtors and signed by the

bankruptcy court, contained language contrary to the court's oral ruling with respect to the proposed sale terms of the Dairy Property and to what matters were reserved for further hearing.

The bankruptcy court entered a minute entry on September 10, 2013, granting Wells Fargo's motion to amend. The minute entry also noted that a status hearing on further DIP financing was to be held on November 7, 2013, unless the parties notified the court that no hearing would be necessary. Now that the AgStar DIP Order was final, Wells Fargo timely filed its notice of appeal on September 24, 2013. The October 4 auction for the Dairy Property never took place.

J. The supplemental AgStar DIP order - the basis for Wells Fargo's second appeal

On November 6, 2013, Debtors filed a Notice of Lodging Proposed Stipulated Order Regarding Postpetition Financing. In the attached stipulated order entered into by Debtors and AgStar, Debtors stated that they had drawn approximately **[*24]** $144,000 of the $315,000 authorized in the AgStar DIP Order entered on July 12, 2013. Debtors were in immediate need of additional funds to maintain the Dairy Property until the foreclosure sale scheduled for December 6, 2013, which required an additional draw on the remaining funds in the AgStar DIP Loan but no additional loan beyond the $315,000 previously authorized. In addition to the existing priming DIP lien authorized on July 12, the bankruptcy court granted AgStar a replacement lien for the AgStar Prepetition Loan on the Dairy Property, which was to be senior to any other liens on the property (excluding the taxing authority's lien).

In light of the stipulation filed, the bankruptcy court vacated the status hearing for further DIP financing scheduled for November 7, 2013, and entered Debtors' and AgStar's stipulated financing order as proposed on November 7, 2013 (the "Supplemental AgStar DIP Order"). Wells Fargo timely filed its notice of appeal on November 14, 2013.

The Panel issued an order consolidating Wells Fargo's appeals of the AgStar DIP Order and the Supplemental AgStar DIP Order on January 21, 2014.

K. Debtors' cases get converted to chapter 7 and Dairy Property is [*25] foreclosed

The Committee moved to convert Debtors' cases to chapter 7 on November 19, 2013. In short, the foreclosure sale of the Dairy Property set for December 6, 2013, was expected to yield only enough funds to pay AgStar; no proceeds would be available for any junior lienholders, administrative claimants or the unsecured creditors. Therefore, because no possibility existed for rehabilitation, the Committee argued that conversion was in the best interest of creditors.

AgStar filed a limited objection to the Committee's conversion motion, requesting only that the cases not be converted until after the foreclosure sale of the Dairy Property. AgStar believed that insufficient funds would be available from the foreclosure sale to pay the AgStar Prepetition Loan, the AgStar DIP Loan and the additional funds authorized in the Supplemental AgStar DIP Order, much less for anyone else's claims.

After a hearing on December 2, 2013, the bankruptcy court ordered that Debtors' cases be converted to chapter 7, effective December 10, 2013, after the foreclosure sale of the Dairy Property on December 6.

A third-party bidder purchased the Dairy Property for $6,936,264.02; one dollar more than AgStar's **[*26]** opening credit bid. AgStar purchased Debtors' water rights through its credit bid for $999,999.00. Wells Fargo's junior lien on the Dairy Property was extinguished, leaving approximately $5 million of the Wells Fargo Prepetition Loan left unpaid.

II. JURISDICTION

The bankruptcy court had jurisdiction under *28 U.S.C. §§ 1334* and *157(b)(2)(D)* and *(M)*. We discuss our jurisdiction below.

III. ISSUES

1. Are the appeals moot?

2. Did the bankruptcy court err when it ordered Wells Fargo to apply its cash collateral to the DIP Loan and that its DIP lien was deemed satisfied?

3. Did the bankruptcy court violate Wells Fargo's due process rights when it entered the Supplemental AgStar DIP Order?

IV. STANDARDS OF REVIEW

HN1[↑] We review a bankruptcy court's conclusions of law de novo and its factual findings for clear error. *Zurich Am. Ins. Co. v. Int'l Fibercom, Inc. (In re Int'l Fibercom, Inc.), 503 F.3d 933, 940 (9th Cir. 2007)*. An adequate protection determination and an authorization to use cash collateral are factual issues reviewed for clear error. See *Martin v. United States (In re Martin), 761 F.2d 472, 478 (8th Cir. 1985)*. Factual findings are clearly erroneous if illogical, implausible or without support in the record. *Retz v. Samson (In re Retz), 606 F.3d 1189, 1196 (9th Cir. 2010)*.

HN2[↑] Whether the bankruptcy court's procedures comport with due process is a question of law reviewed de novo. *Price v. Lehtinen (In re Lehtinen), 564 F.3d 1052, 1058 (9th Cir. 2009)*; *Garner v. Shier (In re Garner), 246 B.R. 617, 619 (9th Cir. BAP 2000)*.

V. DISCUSSION[9]

A. The appeals are not moot.

On April 23, 2014, a motions panel denied AgStar's motion to dismiss the appeals as moot, determining that effective relief remained available. AgStar asks the merits panel to reconsider that decision, contending that it has met its ***HN3***[↑] heavy burden to demonstrate the appeals are moot. See *Motor*

[9] On November 13, 2014, appellant filed a statement of additional authorities **[*27]** and asked this Panel to consider such authorities. We conclude further consideration of such authorities is unnecessary given the analysis in this memorandum.

Vehicle Cas. Co. v. Thorpe Insulation Co. (In re Thorpe Insulation Co.), 677 F.3d 869, 880 (9th Cir. 2012). Despite the motions panel ruling, ***HN4***[↑] we have an independent duty to determine whether appellate jurisdiction exists. *Dannenberg v. Software Toolworks, Inc., 16 F.3d 1073, 1074 n.1 (9th Cir. 2004)*. We lack jurisdiction to decide moot appeals. *United States v. Pattullo (In re Pattullo), 271 F.3d 898, 900 (9th Cir. 2001)*. If an appeal becomes moot while it is pending before the Panel, we must dismiss it. Id. Therefore, we will consider AgStar's request.

AgStar merely rehashes the same arguments raised before the motions panel and offers no new grounds for reconsideration. Nonetheless, AgStar contends the appeals are equitably moot because: (1) Wells Fargo failed to obtain a stay pending appeal; (2) the Dairy Property has been sold to a third party; and (3) we cannot fashion effective relief. ***HN5***[↑] Failure to seek a stay can render an appeal equitably moot. *In re Thorpe Insulation Co., 677 F.3d at 881* ("We will first look at **[*28]** whether a stay was sought, for absent that a party has not fully pursued its rights.")(citing *In re Roberts Farms, 652 F.2d 793, 797-98 (9th Cir. 1981))*. For an appeal to be equitably moot, "[t]he question is whether the case 'presents transactions that are so complex or difficult to unwind that the doctrine of equitable mootness would apply.'" *Id. at 880* (quoting *Lowenschuss v. Selnick (In re Lowenschuss), 170 F.3d 923, 933 (9th Cir. 1999))*. "Ultimately, the decision whether or not to unscramble the eggs turns on what is practical and equitable." *Baker & Drake, Inc. v. Pub. Serv. Comm'n of Nev. (In re Baker & Drake, Inc.), 35 F.3d 1348, 1352 (9th Cir. 1994)* (citations omitted).

Wells Fargo failed to seek a stay of the AgStar DIP Order or the Supplemental AgStar DIP Order. Under *Thorpe*, that alone may be enough to render these appeals equitably moot. See also *Stokes v. Gardner, 483 Fed. Appx. 345, 2012 WL 1944552 (9th Cir. May 30, 2012)*(citing Thorpe and stating that ***HN6***[↑] failure to seek a stay may, "by itself," render a party's claim equitably moot). Nevertheless, the sale of the Dairy Property to a third party does not preclude us from fashioning effective relief for Wells Fargo. AgStar can be ordered to pay an appropriate portion of the sale proceeds to Wells Fargo, should we determine Wells Fargo is entitled to any. Further, such relief would not require the unwinding of the Dairy Property sale or have any effect on the third party not before us. Thus, the third party's absence in these appeals is of no moment. See **[*29]** *In re Thorpe Insulation Co., 677 F.3d at 881*.

We further conclude, although not raised by AgStar, the appeal of the AgStar DIP Order is not statutorily moot under *§ 364(e)*.[10] ***HN7***[↑] Under that provision, if the bankruptcy court found that the lender acted in good faith in extending the postpetition loan, a reversal or modification of the unstayed financing order on appeal does not affect the validity of the creditor's loan or any liens or priorities securing the loan. *§ 364(e)*; *Credit Alliance Corp. v. Dunning-Ray Ins. Agency, Inc. (In re Blumer), 66 B.R. 109, 113 (9th Cir. BAP 1986)*.

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[10] *Section 364(e)* provides:

> ***HN8***[↑] The reversal or modification on appeal of an authorization under this section to obtain credit or incur debt, or of a grant under this section of a priority or a lien, does not affect the validity of any debt so incurred, or any priority or lien so granted, to an entity that extended such credit in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and the incurring of such debt, or the granting of such priority or lien, were stayed pending appeal.

The AgStar DIP Order does contain a boilerplate "good faith" finding; Wells Fargo has not made any allegations of bad faith.[11] However, it does not follow that we must dismiss that appeal as statutorily moot. ***HN9***[↑] *Section 364(e)* does not restrict us from reviewing central questions to the AgStar **[*30]** DIP Order: whether the bankruptcy court provided Wells Fargo with adequate protection and whether the court violated Wells Fargo's due process rights. See *Desert Fire Prot. v. Fontainebleau Las Vegas Holdings, LLC (In re Fontainebleau Las Vegas Holdings, LLC), 434 B.R. 716, 746 (S.D. Fla. 2010)*(if existing lienholder did not receive adequate protection for the priming lien, the court is not forbidden from granting the lienholder effective relief)(citing 3 COLLIER ON BANKRUPTCY ¶ 364.06[2] (Alan N. Resnick & Henry J. Sommer eds., 15th ed. rev. 2010)); *In re Blumer, 66 B.R. at 113* (although lenders satisfied good faith requirement of *§ 364(e)*, the appeal was not moot because the court's order violated appellant's due process rights).

Accordingly, we see no impediment to providing Wells Fargo with effective relief. Thus, the appeals are not moot; we have jurisdiction under *28 U.S.C. § 158*.

B. The bankruptcy court erred when it ordered Wells Fargo to apply the $516,000 payment to its DIP Loan and deemed Wells Fargo's DIP lien satisfied.

1. Governing law

HN10[↑] To obtain DIP financing that involves a senior or "priming" lien on encumbered property, the debtor-in-possession must show that (1) it was unable to obtain credit without granting such liens and (2) **[*31]** the value of the prepetition lender's lien that will be primed by the DIP lender's lien is adequately protected. See *§ 364(d)(1)*. The debtor bears the burden of proof on the issue of adequate protection. See *§ 364(d)(2)*.[12] The purpose of the adequate protection requirement under *§ 364(d)* is to protect an existing lienholder from any decrease in the value of its security interest resulting from the priming lien. In other words, adequate protection is provided to ensure that the prepetition creditor receives the value for which the creditor bargained prebankruptcy. *MBank Dallas, N.A. v. O'Connor (In re O'Connor), 808 F.2d 1393, 1396 (10th Cir. 1987)*; *In re Mosello, 195 B.R. 277, 288 (Bankr. S.D.N.Y. 1996)*.

HN12[↑] Adequate protection may be provided by (1) periodic cash payments, (2) additional or replacement liens **[*32]** or (3) other relief resulting in the "indubitable equivalent" of the secured creditor's interest. *In re Stoney Creek Techs., LLC, 364 B.R. 882, 890 (Bankr. E.D. Pa. 2007)*(citing *§*

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[11] No "good faith" finding was made in the Supplemental AgStar DIP Order, so it does not appear to be subject to the protections of *§ 364(e)*.

[12] *Section 364(d)(1)* and *(2)* provides:

> ***HN11***[↑] (1) The court, after notice and a hearing, may authorize the obtaining of credit or the incurring of debt secured by a senior or equal lien on property of the estate that is subject to a lien only if—
>
> (A) the trustee is unable to obtain such credit otherwise; and
>
> (B) there is adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted.
>
> (2) In any hearing under this subsection, the trustee has the burden of proof on the issue of adequate protection.

361). In addition, the requirement to provide adequate protection can be met by showing the existing lienholder is oversecured with a substantial equity cushion. See *Pistole v. Mellor (In re Mellor), 734 F.2d 1396, 1400 (9th Cir. 1984)*. What constitutes adequate protection is to be decided flexibly on a case-by-case basis. *In re O'Connor, 808 F.2d at 1396-97*.

2. Analysis

In analyzing the issues in this appeal, the Panel distinguishes Wells Fargo's role as a prepetition secured creditor from its role as a DIP lender and the corresponding differences between the collateral used to secure both debts. Thus, the collateral securing each debt requires specific identification and Wells Fargo's distinguishing roles associated with the two debts warrant a different calculus.

Wells Fargo contends the bankruptcy court erred when it forced Wells Fargo to apply the milk proceeds, which provided security for the Wells Fargo Prepetition Loan, to satisfy the DIP Loan, and it further erred in determining "as a matter of law" that using the milk proceeds to pay off the DIP Loan constituted adequate protection on a dollar-for-dollar basis. Wells Fargo also contends the bankruptcy court violated the "law **[*33]** of the case doctrine" by allowing Debtors to use cash collateral in a manner that was expressly prohibited in the Final DIP Order.

Paragraph 5 of the Final DIP Order provides that Wells Fargo will receive, in addition to the junior lien it already had on the Dairy Property, a lien on "any and all assets acquired by the Debtors after the Petition Date of the same type as the assets on which Wells Fargo held a lien on the Petition Date." In re Sonora Desert Dairy, LLC, No. 2:12-00262, slip order at 7 (Bankr. D. Ariz. Nov. 29, 2013). Thus, Debtors extended Wells Fargo's security interest in all personal property they acquired postpetition that was of the same type on which Wells Fargo held a security interest prepetition — i.e., the dairy herd, feed inventory and milk proceeds — to secure the Wells Fargo Prepetition Loan. Paragraph 6 of the Final DIP Order provides that the Dairy Property was the collateral securing the DIP Loan, and that Wells Fargo's DIP lien would be senior to or "prime" AgStar's senior lien on the Dairy Property. Id. In addition, Paragraph 1 provides that Debtors could only use any cash collateral of Wells Fargo in the manner set forth in the parties' agreed budget **[*34]** attached to the Final DIP Order. Id. at 5-6. Neither the budget nor the Final DIP Order contemplate that Debtors could use milk proceeds securing the Wells Fargo Prepetition Loan to pay off the DIP Loan secured by the Dairy Property.

In reviewing the transcript from the hearing on the Second AgStar DIP Motion, we conclude that Wells Fargo and the bankruptcy court misunderstood each other's positions. The court mistakenly assumed that Wells Fargo's DIP Loan was secured by all of Wells Fargo's prepetition collateral (the dairy herd, feed inventory and milk proceeds) in addition to the Dairy Property, despite counsel's statements to the contrary and his citation to Paragraph 6 of the Final DIP Order. In other words, the court believed all of Wells Fargo's collateral, pre- and postpetition, provided security for the DIP Loan.[13] On that assumption, it would follow that whether Wells Fargo applied the $516,000 cash payment to its DIP Loan or the Wells Fargo Prepetition Loan would make no difference; Wells Fargo was receiving its money either way. It would also follow under those facts that because the DIP Loan was being paid in full, Wells Fargo was

[13] The judge making the decision on the AgStar DIP Loan was not the same judge who heard the earlier matters and issued the Final DIP Order on November 29, 2012. Immediately after issuing the Final DIP Order, Judge Case reassigned Debtors' cases to Judge Haines, who subsequently issued the AgStar DIP Order on July 12, 2013.

receiving dollar-for-dollar adequate protection, and **[*35]** thus the AgStar DIP Loan and priming lien could be authorized under *§ 364(d)*.

However, applying the $516,000 payment to the DIP Loan did make a difference; it caused Wells Fargo to lose $516,000 it would have otherwise been able to recover from the sale of the Dairy Property. Put simply, had Wells Fargo's priming lien remained intact, it would have been paid its $500,000 DIP Loan (plus interest) from the Dairy Property sale proceeds and it would have recovered all of the milk proceeds, which consisted of approximately $800,000 to apply to the Wells Fargo Prepetition Loan. Accordingly, the bankruptcy court's decision transferred $516,000 of postpetition collateral protected by the *§ 552(b)(1)*[14] security interest extension provided in Paragraph 5 of the Final DIP Order to the payment of the DIP Loan, which prevented an equivalent payment to the Wells Fargo Prepetition Loan. Thus, the mechanism **[*36]** provided in the Final DIP Order to adequately protect Wells Fargo was thwarted.

Wells Fargo's argument that the "law of the case" doctrine precluded the bankruptcy court from reexamining issues already decided in the Final DIP Order lacks merit. ***HN14***[↑] This discretionary, judicially-imposed doctrine precludes a court from reconsidering an issue explicitly or impliedly decided by a prior disposition from the same court or a higher court. *Hall v. City of L.A., 697 F.3d 1059, 1067 (9th Cir. 2012)*. The bankruptcy court did not appear to be **[*37]** reconsidering or reexamining the terms of the Final DIP Order when it made its decision as to the Second AgStar DIP Motion; it simply misunderstood the facts of the case, which led to its error. The Final DIP Order governed the obligations of the parties, particularly Paragraphs 5 and 6 that created the hierarchy of liens and collateral and how Wells Fargo would be paid. Because the bankruptcy court did not expressly overrule any part of that order when it made its ruling, it was required to enforce the order's terms.

Because the bankruptcy court erred when it ordered Wells Fargo to apply the $516,000 payment to the DIP Loan and deemed Wells Fargo's DIP lien satisfied, we must VACATE the AgStar DIP Order and REMAND for further proceedings.[15] The question becomes then, what sort of relief can be granted to Wells Fargo in light of the bankruptcy court's good faith finding under *§ 364(e)*. Even if AgStar's priming DIP lien created under *§ 364(d)* must be left in place despite our vacation, allowing Wells Fargo's DIP lien to have priority over the lien securing the AgStar Prepetition Loan would be permissible under *§ 364(e)*, because it will not affect the validity or priority of AgStar's DIP lien.

C. The bankruptcy court did not violate Wells Fargo's due process rights when it entered the Supplemental AgStar DIP Order.

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[14] *Section 552(b)(1)* provides:

> ***HN13***[↑] Except as provided in sections 363, 506(c), 522, 544, 545, 547, and 548 of this title, if the debtor and an entity entered into a security agreement before the commencement of the case and if the security interest created by such security agreement extends to property of the debtor acquired before the commencement of the case and to proceeds, products, offspring, or profits of such property, then such security interest extends to such proceeds, products, offspring, or profits acquired by the estate after the commencement of the case to the extent provided by such security agreement and by applicable nonbankruptcy law, except to any extent that the court, after notice and a hearing and based on the equities of the case, orders otherwise.

[15] Although Wells Fargo **[*38]** contends the Supplemental AgStar DIP Order must also be reversed, that order did not detrimentally affect Wells Fargo. Its loss was created by the AgStar DIP Order, where Wells Fargo lost $516,000.

Wells Fargo challenges the Supplemental AgStar DIP Order on an additional ground — that it violated Wells Fargo's due process rights. It contends that Debtors never filed a motion to approve the additional DIP financing authorized in the Supplemental AgStar DIP Order or sought a hearing, but rather simply lodged a proposed form of order the day prior to the previously-scheduled status hearing on November 7, 2013. The bankruptcy court then improperly vacated the status hearing sua sponte and entered the Supplemental AgStar DIP Order as proposed on November 8, 2013. As a result, Wells Fargo argues that it was never given a reasonable opportunity to object or be heard and was thereby deprived of its due process rights.

HN15[↑] "An integral part of *Section 364* is the requirement that notice and a hearing be granted before a court order is issued." *In re Blumer, 66 B.R. at 113*. The phrase "notice and a hearing," as defined **[*39]** in *§ 102(1)*, is a term of art. It does not mean that a hearing must be granted. Id. The bankruptcy court may act without a hearing if notice has been properly given and (1) a hearing has not been requested or (2) there is insufficient time for one. Id. (citing *§ 102(1)(B)*. Notice means "such notice as is appropriate in the particular circumstances[.]" *§ 102(1)(A)*). "Nowhere is there any provision for an action to be taken without notice where 'notice and a hearing' are required." *In re Blumer, 66 B.R. at 113* (citing *In re Monach Circuit Indus., Inc., 41 B.R. 859, 861 (Bankr. E.D. Pa. 1984))*. "This is true even in emergency situations." Id.

Wells Fargo's arguments lack merit. Although it argues that Debtors never filed a motion to approve additional DIP financing, Debtors had filed the Second AgStar DIP Motion, which covered the proposed $315,000 DIP loan from AgStar that was ultimately authorized by the bankruptcy court. Wells Fargo was given the opportunity to, and did, oppose that motion. Thus, Wells Fargo's claim that the first notice it received of this additional DIP financing request was from the proposed form of order lodged by Debtors is not credible. Further, the bankruptcy court was not required to hold a hearing on the matter since all Debtors were requesting was an additional draw from the $315,000 AgStar **[*40]** DIP Loan already authorized by the court at a prior hearing, where Wells Fargo's objections had already been overruled.

Accordingly, we conclude that Wells Fargo's due process rights were not violated by entry of the Supplemental AgStar DIP Order.

VI. CONCLUSION

Based on the foregoing reasons, we VACATE the AgStar DIP Order and REMAND it to the bankruptcy court for further proceedings consistent with this memorandum. As to the Supplemental AgStar DIP Order, we AFFIRM.

End of Document

EXHIBIT A

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Debtors In Possession

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Judge Ernest M. Robles
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**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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Upon the emergency motion (the "***DIP Motion***")[1], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") authorizing the Debtors to, among other things~~:~~ , *inter alia*:

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

(ii) Enter into a Debtor-in-Possession Credit Agreement (the "***DIP Credit Agreement***"), substantially in the form attached hereto as **Exhibit 1**, and other related financing documents (together with the DIP Credit Agreement and DIP Security Agreement, the "***DIP Financing Agreements***"), by and among each of the Debtors and Ally Bank ("***Ally***"), in its capacity as agent ("***DIP Agent***") and in its capacity as lender ("***DIP Lender***,") under the DIP Credit Agreement;

(iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements, postpetition financing of up to $30,000,000 on a revolving basis (the "***Interim DIP Loan***") and

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

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seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this Final Order;

(iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition financing of up to an additional $155,000,000, for a total of up to $185,000,000, on a revolving basis, which includes the Interim DIP Loan (the "***Final DIP Loan***," and together with the Interim DIP Loan, the "***DIP Loan***") and seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and the Final Order (as defined below);

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

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

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

(viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in accordance with the proposed initial agreed budget covering the initial 13 week period (the "***Initial Agreed Budget***") a copy of which is attached to the Chou Decl. [Docket No. 32] as **Exhibit 2**, as updated from time to time in accordance with the terms of this Final Order, and attached hereto as **Exhibit 2** (the "***DIP Budget***") and as otherwise provided in the DIP Financing Agreements, the Interim Order and this Final Order;

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(ix) Provide adequate protection separately to ~~certain~~each of the Prepetition Secured Creditors (defined herein) and McKesson (defined herein) pursuant to the terms of this Final Order ~~for~~on account of any diminution in value of ~~their respective interests in the~~the interest of such Prepetition Secured Creditor or McKesson in the specific Prepetition Collateral or VMF Collateral (each as defined herein) ~~resulting from~~which is pledged to such Prepetition Secured Creditor or McKesson, including, without limitation, as a result of the priming of the interest of such Prepetition Secured Creditor or McKesson in its Prepetition Collateral or VMF Collateral by the DIP Liens (as defined herein) ~~on the Prepetition Collateral or VMF Collateral~~, the subordination of the interest of such Prepetition Secured Creditor or McKesson in its Prepetition Collateral or VMF Collateral to the Carve Out (as defined herein), ~~or Debtors' use, sale, or lease~~the use by any of the Debtors of the Cash Collateral of such Prepetition Secured Creditor or McKesson, and any other decline in value of the interest of such Prepetition Secured Creditor or McKesson in its Prepetition Collateral or VMF Collateral whether arising out of the automatic stay, the Debtors' use, sale, or disposition of the Prepetition Collateral or VMF Collateral, ~~including cash collateral~~or otherwise (such cash collateral that is Prepetition Collateral or VMF Collateral ~~hereafter defined~~is referred to as "***Cash Collateral***");

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

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

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

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

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The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief Financial Officer filed in support of the DIP Motion and Rich Adcock, CEO filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Motion, the proposed DIP Credit Agreement, and any the exhibits attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the hearing on the Interim Order (the "***Interim Hearing***") and on the request for entry of the Final Order (the "***Final Hearing***"); and due and proper notice of the DIP Motion, an Interim Hearing, entry of the Interim Order, and Final Hearing having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under the circumstances; and the Interim Hearing and Final Hearing having been held and concluded; and it appearing that approval of the and final relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors and is otherwise fair and reasonable and in the best interests of the Debtors, their estates and their creditors, and is essential for the preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this Final Order having been withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

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

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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

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

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

E. **Findings Regarding Corporate Authority**. As set forth in the resolutions accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate

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power and authority to execute and deliver the DIP Financing Agreements to which it is a party and to perform its obligations thereunder.

F. **Intercreditor Agreement**. Pursuant to section 510(a) of the Bankruptcy Code, the Second Amended and Restated Intercreditor Agreement dated December 1, 2017 (the "***Intercreditor Agreement***") and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect, with respect to prepetition and post-petition assets of the Debtors as provided thereunder, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors (including the relative priorities, rights and remedies of such parties with respect to the Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable, by the Debtors under the Interim Order, this Final Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of this Final Order or the DIP Financing Agreements, unless expressly set forth herein.

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

(i) UMB Bank, N.A., ("***UMB Bank***") ~~as~~is the successor ~~Master Trustee~~master trustee (in such capacity, the "***Master Trustee***") under the Master ~~Trust~~Indenture of Trust dated as of December 1, 2001, as amended and supplemented (the "***Master Indenture***") with respect to the MTI Obligations (defined below) securing the repayment by the Obligated Group (defined below) of its loan obligations with respect to (1) the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "***2005 Bonds***"), (2) the California Public Finance Authority Revenue Notes (Verity Health System) Series 2015 A, B, C and D (the "***2015 Working Capital Notes***"), and (3) the California Public Finance Authority Revenue Notes (Verity Health System) Series 2017 A and B (the "***2017 Working Capital Notes***" and, collectively with the 2015 Working Capital Notes, the "***Working Capital Notes***"). The joint and several obligations issued under the Master Indenture by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center and Seton

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Medical Center (collectively, the "***Obligated Group***") ~~in respect~~securing the Obligated Group's repayment of the loans to the Obligated Group of the proceeds of the 2005 Bonds and the Working Capital Notes are collectively referred to as the "***MTI Obligations***". Wells Fargo Bank National Association ("***Wells Fargo***") serves as bond indenture trustee under the bond indentures relating to the 2005 Bonds. U.S. Bank National Association (~~"~~"***U.S. Bank***~~"~~") serves as the note indenture trustee and as the collateral agent under ~~each of~~ the note indentures relating to the ~~2015 Working Capital Notes and the 2017 Working Capital Notes, respectively~~Working Capital Notes. UMB Bank, as Master Trustee, serves as the collateral agent for the MTI Obligations (UMB Bank, in such capacity, and Wells Fargo, as bond trustee under the bond indentures for the 2005 Bonds, and U.S. Bank, as note trustee under the note indentures for the Working Capital Notes, all secured on a parity basis by the MTI Obligations, the "***MTI Agents***"). As of the Petition Date, the amount of the MTI Obligations was as follows: (x) the principal and interest owing under the MTI Obligations securing the 2005 Bonds was $_____, not including fees, costs, costs of collection and any other amounts due and owing under the Obligated Group's loan agreements relating to the 2005 Bonds; (y) the principal and interest owing under the MTI Obligations securing the 2015 Working Capital Notes was $_____, not including fees, costs, costs of collection and any other amounts due and owing under the Obligated Group's loan agreements relating to the 2015 Working Capital Notes; and (z) the principal and interest owing under the MTI Obligations securing the 2017 Working Capital Notes was $_____, not including fees, costs, costs of collection and any other amounts due and owing under the Obligated Group's loan agreements relating to the 2017 Working Capital Notes. The MTI Obligations are secured by, inter alia, security interests ~~granted to the Master Trustee~~ in the prepetition accounts of, and ~~mortgages~~deeds of trust on the principal real estate assets of, the members of the Obligated Group. In addition to the security provided ~~to the Master Trustee to secure~~under the MTI Obligations, U.S. Bank, as ~~Note Trustee~~note trustee for the ~~2015~~ Working Capital Notes ~~and the 2017 Working Capital Notes~~, is secured by ~~first priority liens upon and~~ security interests in the prepetition accounts of the Obligated Group~~'s accounts~~, and deeds of trust on the principal real estate assets of Saint Louise Regional Hospital and St. Francis Medical Center (collectively, the

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"~~*Priority*~~*Intercreditor Collateral*"). U.S. Bank, as ~~Notes Trustee~~note trustee for the 2017 Working Capital Notes, has also been granted a deed of trust, dated as of December ~~1,~~21, 2017, by Verity Holdings in certain real property located in San Mateo, California ~~(the "*Moss Deed of Trust*") to further secure the 2017 Working Capital Notes~~. Pursuant to the terms of the Intercreditor Agreement among, inter alia, UMB Bank and U.S. Bank, the lien of the Master Indenture and the MTI Obligations on the Intercreditor Collateral is junior to the lien on the Intercreditor Collateral of U.S. Bank, as note trustee for the Working Capital Notes.

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

The Master Trustee, Wells Fargo as bond indenture trustee for the 2005 Notes, U.S. Bank as Note Trustee for the Working Capital Notes, and the MOB Lenders are collectively hereafter referred to as the "***Prepetition Secured Creditors***;" the MTI Obligations, the Obligated Group's loan obligations with respect to the Working Capital Notes and the MOB Financing are hereinafter referred to as the "***Prepetition Secured Obligations***;" the prepetition interests (including the liens and security interests) of each Prepetition Secured Creditor in the property and assets of the Debtors are hereinafter referred to as the "***Prepetition Liens***;" and the documents, writings and agreements evidencing the Prepetition Secured Obligations are hereinafter referred to as the "***Prepetition Secured Documents***"). The Debtors acknowledge that funds which are being held by the MTI Agents or any of them are not property of the Debtors' estates

H. **Prepetition Secured Trade Vendor Arrangement**. As of the Petition Date, the VMF had entered into agreements for the sole source purchasing of certain critical chemotherapy and other drugs with a McKesson Corporation and certain affiliates ("***McKesson***"), and on or about March 27, 2018 granted to McKesson a prepetition perfected security interest ("***VMF Liens***") in VMF tangible and intangible personal property, including accounts (the "***VMF***

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Collateral"), but such perfected security interest excluded VMF cash, personal property requiring possession for perfection and real property interests.

I. **Prepetition Collateral**. In order to secure that portion of the Prepetition Secured Obligations owing to an individual Prepetition Secured Creditor and the Prepetition Secured Trade Vendor Arrangement (as described in paragraph H above), the Debtors, excluding the Philanthropic Foundations, granted ~~the~~a Prepetition ~~Liens and the VMF Liens~~Lien to ~~the~~such Prepetition Secured ~~Creditors~~Creditor and McKesson~~, respectively~~ as provided ~~and described~~ in the Prepetition Secured Documents and the documents pertaining to the VMF Collateral. The assets subject to the Prepetition ~~Liens (~~Lien of each Prepetition Secured Creditor are hereafter referred to as the "***Prepetition Collateral***"~~)~~ of such Prepetition Secured Creditor. Collectively, the assets subject to all of the Prepetition Liens of all of the Prepetition Secured Creditors and the VMF Collateral constitute substantially all of the assets of the Debtors~~, excluding cash and assets of the Philanthropic Foundations.~~ .

J. **Prepetition Agreements to Pay Special Assessments.** Seton Medical Center, a Debtor, ("***SMC***") and California Statewide Communities Development Authority ("***CSCDA***") entered into an (i) Agreement to Pay Assessment and Finance Improvements dated May 11, 2017 under the CSCDA CaliforniaFirst Program ("***Clean Fund Agreement to Pay Assessment***"), and (ii) Agreement to Pay Assessment and Finance Improvements dated May 18, 2017 under the CSCDA CaliforniaFirst Program ("***Petros Agreement to Pay Assessment***", collectively, with Clean Fund Agreement to Pay Assessment, the "***Assessment Agreements*** "), each for the limited purpose of providing financing for certain renewable energy, energy efficiency, water efficiency and seismic improvements permanently affixed to real property owned by SMC located in Daly City, California under the CSCDA CaliforniaFirst Program in the aggregate amount of $40,000,000. As of the Petition Date, after payment of tax exempt bond issuance fees for the Clean Fund Bonds and the NR2 Petros Bonds (each as defined in the DIP Motion) and retention of capitalized interest reserves approximately $34,379,450 is being held for authorized improvements (the "***Program Funds***") by Wilmington Trust N.A. ("***WTNA***") as indenture trustee, pursuant to, *inter alia*, the terms of two Indentures between CSCDA and WTNA dated as

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of May 11, 2017 and May 18, 2017 and the Assessment Agreements. Notwithstanding SMC's status as a tax exempt California not for profit corporation, SMC agreed and consented to the CSCDA special tax assessments imposed pursuant to and under the Assessment Agreements (the "***CSCDA Special Assessments***"). The Debtors acknowledge that the CSCDA Special Assessments have the same lien priority and methods of collection as general municipal taxes on real property. Notices of Assessment and Payment of the Special Assessments were recorded in the official records of the County of San Mateo against the real property owned by SMC and consented to by the Prepetition Secured Lenders. The Debtors acknowledge that the Program Funds and other proceeds of the issuance of the Clean Fund Bonds or NR2 Petros Bond which are being held by WTNA are not property of the Debtors' estates, and are not subject to the Prepetition Liens, the DIP Liens, or the Prepetition Replacement Liens.

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

(i) **Consensual Priming of the Prepetition Liens**. ~~The priming of the Prepetition Liens of the Prepetition Secured Creditors on the Prepetition Collateral, and the VMF Liens on the VMF Collateral under section 364(d) of the Bankruptcy Code, as contemplated by the DIP Financing Agreements, as authorized by this Final Order, and as further described below, is consented to by the Prepetition Secured Creditors and McKesson, and will enable the Debtors to continue borrowing under the DIP Facility and to continue operating their businesses for the benefit of their estates and creditors.~~ The Prepetition Secured Creditors and McKesson are each entitled to receive adequate protection as set forth in this Final Order pursuant to sections 361, ~~363,~~363 and 364 of the Bankruptcy Code~~,~~ for any Diminution in Value (as defined herein) of each of their respective interests in the Prepetition Collateral and VMF Collateral (including Cash Collateral) ~~or VMF Collateral~~. Each of the Prepetition Secured Creditors and McKesson has consented to permit the DIP Liens to prime the Prepetition Lien of such Prepetition Secured Creditor and McKesson under section 364(d) of the Bankruptcy Code, to the extent contemplated by the DIP Financing Agreements and as authorized by this Final Order. Absent the consent of the Prepetition Secured Creditors and McKesson, nothing contained in this Final Order shall constitute an agreement or acknowledgement by the Prepetition Secured Creditors or McKesson

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that the adequate protection provided to the Prepetition Secured Creditors and McKesson by this Final Order satisfies the requirements of sections 361, 363 and 364 of the Bankruptcy Code.

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

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

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

M. **Application of Sale Proceeds of DIP Collateral**. ~~The Debtors have agree with the DIP Lender that, subject to the terms of this Final Order and the DIP Credit Agreement,~~ The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the

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Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' ~~property~~assets, including, without limitation, the Facilities and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The net Sale Proceeds of any individual sale of assets of the Debtors shall be held in escrow in ~~one or more~~a separate interest bearing deposit ~~accounts~~account, each of which shall be subject to a deposit account control agreement in favor of the DIP Lender (~~the~~each such account, an "***Escrow Deposit Account***"). Any funds held in ~~the~~an Escrow Deposit Account shall not be commingled with any other Sale Proceeds, or any other funds of the Debtors or otherwise. Without limitation of the rights of the DIP Lender upon the occurrence of an Event of Default, the Debtors shall not be permitted to use Cash Collateral of any Prepetition Secured Creditor held in an Escrow Deposit Account for any purpose without first obtaining the consent of the applicable Prepetition Secured Creditor or obtaining an order of the Court after notice and a hearing. The DIP Lender is granted a first priority lien on ~~the~~each Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits~~,~~ and each the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding ~~principal~~ amount ~~of~~due under the DIP Loan, ~~together with accrued and unpaid DIP Obligations,~~ with any remaining balance to be delivered to the Debtors subject to any Prepetition Liens~~, VMF Liens,~~ and Prepetition ~~Replacement Liens and VMF~~ Replacement Liens; *provided, however*, that upon ~~any Debtor's request~~further order of the Court as requested by any of the Prepetition Secured Creditors or the Debtors, and with the consent of the DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors ~~or McKesson~~ on terms and conditions that are acceptable to the DIP Lender ~~in its sole discretion and upon further order of this Court.~~ and to each of the Prepetition Secured Creditors which has a Prepetition Lien in such Sale Proceeds, or a Prepetition Lien in the type or category of assets sold. Nothing contained herein shall constitute

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an amendment, modification or waiver of any terms or provisions of the Intercreditor Agreement or the rights of the MTI Agents thereunder, and any distribution of any Sale Proceeds to the MTI Agents for application to the MTI Obligations shall be consistent with all of the terms of the Intercreditor Agreement. Subject to the DIP Lender's first priority lien, each Prepetition Secured Creditor's Prepetition Liens shall be deemed to attach to the Escrow Deposit Account with the same relative priority, validity force, extent and effect as the Prepetition Liens attached to the Prepetition Collateral giving rise to such proceeds. Each Prepetition Secured Creditor reserves the right to seek a declaration of their respective rights in and to any of the funds held in a Deposit Escrow Account, consistent with and subject to the terms and conditions of this Final Order and the Intercreditor Agreement.

N. **Adequate Protection for Prepetition Secured Creditors and McKesson.** The priming of ~~the~~each Prepetition Secured ~~Creditors'~~Creditor's Prepetition Liens to the extent set forth below pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens set forth below, ~~the~~each Prepetition Secured ~~Creditors~~Creditor and McKesson shall be entitled to receive adequate protection, as set forth in this Final Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of ~~their respective interests in the~~such Prepetition Secured Creditor's interest in its Prepetition Collateral or VMF Collateral resulting from, among other things, the subordination of such interest to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of such Prepetition Collateral or VMF Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively, and solely to the extent of such diminution in value, ~~the~~a "***Diminution in Value***"). ~~The~~ Each Prepetition Secured ~~Creditors have~~Creditor has negotiated in good faith regarding the Debtors' use of ~~the~~their respective Prepetition Collateral to help fund the administration of the Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the record presented to the Court at the Interim Hearing and the Final Hearing, the terms of the proposed adequate protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment and constitute reasonably

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equivalent value and fair consideration for the consent of the Prepetition Secured Creditors and McKesson; *provided, however*, that nothing herein shall limit the rights of any of the Prepetition Secured Creditors or McKesson to hereafter seek new, additional, or different adequate protection.

O. **Extension of Financing**. The DIP Lender has indicated a willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement. The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit Agreement and the other DIP Financing Agreements. The DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Final Order and the DIP Financing Agreements will not be affected by any subsequent reversal or modification of this Final Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

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

(i) The DIP Lender has indicated a willingness to provide DIP Financing to the Debtors in accordance with the DIP Financing Agreements. The terms and conditions of the DIP Facility and the DIP Financing Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

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

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

(iv) The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Financing Agreements, and the DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Final Order and the DIP Financing Agreements will not be affected or avoided by any subsequent reversal or modification of this Final Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

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

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

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

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

2. **DIP Financing Agreements.**

(a) **Approval of Entry Into DIP Financing Agreements**. The Debtors are authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Final Order and the DIP Financing Agreements, and to execute and deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Financing Agreements and the creation and perfection of the DIP Liens described in and provided for by this Final Order and the DIP Financing Agreements. The Debtors are hereby authorized and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and

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other amounts described in the DIP Credit Agreement as such amounts become due and payable without need to obtain further Court approval, including closing fees, unused line fees, administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, and whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in this Final Order or the DIP Financing Agreements. All collections and proceeds, whether from ordinary course collections, asset sales, debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Final Order and the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, including, without limitation, commitment fees and reasonable attorneys' fees and disbursements as provided for in the DIP Credit Agreement, which amounts shall not otherwise be subject to approval of this Court, *provided however,* that notwithstanding section 2.9(a) of the DIP Credit Agreement, following entry of this Final Order, the Debtors shall pay only $1,600,000 on account of the commitment fee. The Debtors shall pay the deferred balance of the commitment fee required by section 2.9(a) of the DIP Credit Agreement only upon entry of a Final Order approving the DIP Credit Agreement.

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

(c) **Conditions Precedent.** The DIP Lender shall have no obligation to make the DIP Loan or any loan or advance under the DIP Credit Agreement unless the conditions

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precedent to making such loan under the DIP Credit Agreement have been satisfied in full or waived by the DIP Lender in its sole discretion.

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

(e) **DIP Lien Priority**. Subject only to the Carve Out (as defined below) and the prepetition tax lien arising in connection with the CSCDA Special Assessments, the DIP Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing, enforceable, non-avoidable first priority senior priming liens and security interests on the DIP Collateral, and shall prime all other liens and security interests on the DIP Collateral, including any liens and security interests in existence on the Petition Date against the Prepetition Collateral and VMF Collateral, and any other current or future liens granted on the DIP Collateral, including any adequate protection or replacement liens granted on the DIP Collateral ~~(collectively, the "***Primed Liens***")~~ (other than the Debtors' claims and causes of action under sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar actions under the Bankruptcy Code or similar state law (the "***Avoidance Actions***"), whether received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens shall not be made subject to, subordinate to, or pari passu with any lien or security interest by any

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court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid and enforceable against any trustee appointed in the Chapter 11 Cases, upon the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (any "***Successor Cases***"), and/or upon the dismissal of any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

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

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

(h) **Additional Protections of DIP Lender: Superpriority Administrative Claim Status**. Subject to the Carve Out (as defined below), all DIP Obligations shall constitute an allowed superpriority administrative expense claim (the "***DIP Superpriority Claim***" and, together with the DIP Liens, the "***DIP Protections***") with priority in all of the Chapter 11 Cases and Successor Cases over all other administrative expense claims under sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any other provision of the Bankruptcy Code except as otherwise set forth herein, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment. The DIP Superpriority

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Claim shall be payable from and have recourse to all prepetition and post-petition property of the Debtors and all proceeds thereof. Without limiting the foregoing, the Superpriority Claim shall not be made subject to, subordinate to, or *pari passu* with any other administrative claim in the Chapter 11 Cases or Successor Cases, except for the Carve Out (as defined below). Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Final Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Final Order and terminating upon the occurrence of an Event of Default (as defined below) and the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

4. **Application of Sale Proceeds of DIP and Prepetition Secured Creditor Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to the Sale Proceeds. The Sale Proceeds shall be ~~allocated by Debtor and~~ held in escrow in the Escrow Deposit Accounts. Funds held in any Escrow Deposit Account shall not be commingled with any other funds of the applicable Debtor or any of the other Debtors and, without limitation of the rights of the DIP Lender upon the occurrence of an Event of Default under the DIP Financing Documents or pursuant to this Final Order, the Debtors shall not be permitted to use Cash Collateral of any of the Prepetition Secured Creditors held in any Escrow Deposit Account for any purpose without first obtaining the consent of the ~~applicable~~ Prepetition Secured Creditor having an interest in such Sale Proceeds, or obtaining an order of the Court pursuant to Section 363 of the Bankruptcy Code after notice and a hearing. The DIP Lender is granted a first priority lien on the Escrow Deposit Accounts and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account

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shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Lender may apply amounts held in Escrow Deposit Accounts to the outstanding principal amount of the DIP Loan. Each of the Prepetition Secured Creditors shall have the right to seek a declaration of their respective rights in and to any of the Sale Proceeds and funds held in a Deposit Escrow Account, consistent with and subject to the terms and conditions of this Final Order, and the Court shall determine all such disputes in accordance with this Final Order, the Prepetition Secured Documents, and applicable law; *provided, that*, nothing contained herein constitutes consent by any Prepetition Secured Creditor authorizing the Court to amend, modify or terminate any rights contained in, or provisions of the Prepetition Secured Documents, including the Intercreditor Agreement, impose any additional obligations not currently existing in the Prepetition Secured Documents, or to subordinate or re-order any rights or liens of the Prepetition Secured Creditors as set forth in the Prepetition Secured Documents.

5. **Adequate Protection for Prepetition Secured Creditors**. As adequate protection for the interests of the Prepetition Secured Creditors in any Diminution in Value in the interest of each Prepetition Secured Creditor in that portion of the Prepetition Collateral and McKesson in the VMF Collateral, but subject to the rights of the Prepetition Secured Creditors in the Sale Proceeds and Deposit Escrow Accounts set forth above, on account of the granting of the DIP Liens, subordination to the Carve Out (as defined below), any Diminution in Value arising out of the Debtors' use, sale, or disposition or other depreciation of the Prepetition Collateral, including Cash Collateral or the VMF Collateral, resulting from the automatic stay, the Prepetition Secured Creditors and McKessonwhich is subject to such Prepetition Secured Creditor's Liens, each Prepetition Secured Creditor shall receive the adequate protection set forth herein in Sections 5(a) – (g), inclusive, as follows:

(a) **Adequate Protection Replacement Liens**. To the extent of thethat a Prepetition Secured Creditor suffers a Diminution in Value of the interest of the respectivefrom and after the Petition Date with respect to its Prepetition Secured Creditors inLiens in any of its Prepetition Collateral, each of the affectedsuch Prepetition Secured CreditorsCreditor shall be

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granted~~, subject to the terms and conditions set forth below~~, pursuant to sections 361, 363(e), and 364(d) of the Bankruptcy Code ~~additional~~, in addition to its Prepetition Liens, valid, perfected and enforceable ~~replacement~~ security interests and Liens in the DIP Collateral, ~~(the~~excluding the prepetition collateral held by WTNA with respect to the Clean Fund Bonds and the NR2 Petros Bonds, indenture held funds held by any of the MTI Agents, donor restricted funds held at Philanthropic Foundations and Avoidance Actions and any proceeds thereof (such Prepetition Secured Creditor's "***Prepetition Replacement Liens***"), ~~which Prepetition Replacement Liens shall have the same relative priority, validity, force, extent and effect as the liens that they replace and~~ which shall be junior only to (1) the Carve Out, (2) ~~to~~ the DIP Liens securing the DIP Obligations, and (3) any perfected, unavoidable, prepetition ~~VMF Liens in VMF~~liens on the DIP Collateral ~~and (4)~~(including 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~~unavoidable Prepetition Liens of such Prepetition Secured Creditor and any other Prepetition Secured Creditor). The priority of two or more Prepetition Replacement Liens, solely as among and between the holders of such Prepetition Replacement Liens, shall be as follows:

i. in the event that 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~~are granted hereunder to two or more of the MTI Agents, to the extent that such Prepetition Replacement Liens cover DIP Collateral that is a type or category of asset that constituted Prepetition Collateral of such MTI Agents, the priority of such Prepetition Replacement Liens solely as among and between such MTI Agents shall be governed by the Intercreditor Agreement ~~shall be senior to the Prepetition Replacement Liens granted to any other~~

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~~Prepetition Secured Creditors 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. With respect to~~as if such DIP Collateral subject to such Prepetition Replacement Liens were Prepetition Collateral of such MTI Agents immediately prior to the Petition Date;

ii. in the event that Prepetition Replacement Liens are granted hereunder to one or more MTI Agents and to the MOB Lenders, to the extent that such Prepetition Replacement Liens cover DIP Collateral which is a type or category of asset that constituted Prepetition Collateral of such MTI Agents or the MOB Lenders, (x) the Prepetition Replacement Lien of the MTI Agents shall have priority over the Prepetition Replacement Lien of the MOB Lenders to the extent that such covered DIP Collateral is a type or category of asset that constituted Prepetition Collateral of the MTI Agents, and (y) the Prepetition Replacement Lien of the MOB Lenders shall have priority over the Prepetition Replacement Lien of the MTI Agents to the extent that such covered DIP Collateral ~~that is subject to the Intercreditor Agreement, any proceeds of such Prepetition~~

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~~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.~~ is a type or category of asset that constituted Prepetition Collateral of the MOB Lenders;

iii. in the event that Prepetition Replacement Liens are granted hereunder to any Prepetition Secured Creditor covering DIP Collateral which does not constitute Prepetition Collateral of any Prepetition Secured Creditor nor is a type or category of asset that constituted Prepetition Collateral of any Prepetition Secured Creditor, such Prepetition Replacement Liens shall rank *pari passu* and have equal priority with all Prepetition Replacement Liens granted in such DIP Collateral, and the holders of such Prepetition Replacement Liens shall be entitled to a *pro rata* distribution of the proceeds of any such Prepetition Replacement Liens.

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 any Diminution in Value in such VMF Collateral, and shall be ~~senior to~~*pari passu* with any the Prepetition Replacement Liens thereon, but junior to ~~the~~ (m) Carve Out, and (n) the DIP Liens.

(b) **Adequate Protection Payments and Protections**. So long as there is no Default or Event of Default under the Interim Order, this Final Order, or the DIP Financing Agreements, the Debtors are also authorized and directed to provide (I) to the Prepetition Secured Creditors monthly adequate protection payments equal to the amount of postpetition, non-default contractual interest on the outstanding balances of the Prepetition Secured Obligations, provided that reference to the non-default contractual rate of interest shall not include any Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents, plus monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee, respectively, and

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reimbursement of reasonable attorney's fees for one set of attorneys for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB Financing; and (II) payments by the Debtors to McKesson under and pursuant to the terms of the interim and final orders authorizing the Critical Vendor Program (as defined in the Debtors First Day Motions) in an amount not to exceed $[3,055,000] (collectively I and II are the "***Prepetition Adequate Protection Payments***"). Notwithstanding the foregoing, to the extent the Court enters a final and non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code, that the Prepetition Adequate Protection Payments under (I) above are not properly allocable to interest on one or more of the respective Prepetition Secured Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-characterized as payment(s) applied to the principal amount of the respective Prepetition Secured Obligations.

(c) **Prepetition Superpriority Claim**. To the extent ~~of the Diminution in Value of the interest of the respective~~that a Prepetition Secured ~~Creditors in~~Creditor suffers a Diminution in Value from and after the Petition Date with respect to its Prepetition Liens in any of its Prepetition Collateral, ~~each of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below~~in addition to the Prepetition Replacement Lien granted to such Prepetition Secured Creditor pursuant to paragraph 5(a) of this Final Order on account of such Diminution in Value (a "***Related Prepetition Replacement Lien***"), such Prepetition Secured Creditor shall be granted, pursuant to sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code, an allowed, superpriority administrative expense claim (~~the~~a "***Prepetition Superpriority ~~Claims~~Claim***"), ~~,~~ which shall have priority ~~(except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the~~

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Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d) 552, 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of the Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided*, *however*, that any such Prepetition Superpriority Claim 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 have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, shall be junior and subordinate to (i) the Carve Out, and (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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; *provided further*, if Prepetition Superpriority Claims are granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be allocated amongmore than one Prepetition Secured Creditor, then solely for the purpose of determining the relative rank and priority among and between such Prepetition Superpriority Claims, such rank and priority shall be the same as the relative rank and priority of the Related Prepetition Replacement Liens of such Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreementas determined by paragraph 5(a) of this Final Order.

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(d) **Validity, Perfection and Amount of Prepetition Liens**. Any adequate protection provided to a Prepetition Secured Creditor hereunder, including any Prepetition Replacement Lien, shall be in addition to, and not in substitution for the Prepetition Lien of each Prepetition Secured Creditor, which Prepetition Lien shall continue in the Prepetition Collateral after the Petition Date (including to the extent that the Prepetition Collateral constitutes DIP Collateral) with the same validity, perfection, enforceability and priority as such Prepetition Lien had in the Prepetition Collateral as of the Petition Date, subject only to the superior priority of the DIP Liens and the Carve Out as provided in this Final Order. Any Prepetition Replacement Lien which attaches to any Prepetition Collateral shall be subject and subordinate to all non-avoidable Prepetition Liens on such Prepetition Collateral. The Debtors further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens ~~securing the~~of each Prepetition Secured ~~Obligations on the Prepetition Collateral and the VMF Liens on the VMF Collateral~~Creditor were valid, binding, enforceable, non-avoidable, and properly perfected and were granted to, or for the benefit of, ~~the~~each such Prepetition Secured ~~Creditors~~Creditor, and ~~McKesson,~~ (b) the Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral except the prepetition tax lien arising in connection with the CSCDA Special Assessments~~, and and (c) the VMF Liens were senior in priority over any and all other Liens on VMF Collateral~~. The findings and stipulations set forth in this Final Order with respect to the validity, enforceability and amount of the Prepetition Secured ~~Obligation~~Obligations and the Prepetition Liens, including the amount of the MTI Obligations, shall be binding on any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and all of their successors in interest and assigns, including the Committee, unless, and solely to the extent that, a party in interest with requisite standing and authority (other than the Debtors, as to which any Challenge (as defined below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens (each such proceeding or appropriate pleading commencing a

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proceeding or other contested matter, a "***Challenge***") within ninety (90) days from the formation of the Committee (the "***Challenge Deadline***"); *provided however* that the filing by the Committee of a motion for standing to prosecute a Challenge shall automatically toll the Challenge Deadline until three (3) business days after a decision by the Court with respect to such motion; and *provided further*, that the "Challenge Deadline" for matters solely relating to the value of the Prepetition Collateral may be further extended to such time as may be agreed by the parties or further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be amended upon further order of this Court and the consent of both the Prepetition Secured Creditors and the DIP Lender. The Debtors shall not use the Prepetition Collateral~~, VMF Collateral~~ or ~~their~~its proceeds to investigate or prosecute claims against the Prepetition Secured Creditors ~~or McKesson~~, including Avoidance Actions, *provided however* that the Committee may investigate the existence of such claims and have allowed fees paid from the Prepetition ~~Collateral or VMF~~ Collateral and the proceeds of the DIP Facility up to the amount of $~~100,000,~~[50,000], *provided further however* that no Prepetition ~~Collateral or VMF~~ Collateral, the proceeds thereof or the proceeds of the DIP Facility may be used to prosecute claims against Prepetition Secured Creditors ~~or McKesson~~. For the avoidance of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition Secured Creditors ~~or McKesson~~ from any Challenge raised by third parties, including the Committee, to the validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition Liens ~~or the VMF Liens~~. Without limitation of any rights subject to or under the Intercreditor Agreement, any Prepetition Lien which is avoided or subordinated pursuant to a Challenge shall be subject and subordinate to the adequate protection granted to the Prepetition Secured Creditors hereunder, including any Prepetition Replacement Lien.

(e) **Sections 506(c) and 552(b)**. In light of the Prepetition Secured Creditors~~' and McKessons~~' agreements that their Prepetition Liens ~~and VMF Liens, respectively,~~ shall be subject to the Carve Out and subordinate to the DIP Liens, the Prepetition Secured Creditors ~~and McKesson~~ are each entitled to a waiver of any "equities of the case" exception under section

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552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the Bankruptcy Code.

(f) Pursuant to Section 6.5 of the DIP Credit Agreement, the Debtors have agreed that they will not engage in any Asset Sale (as defined in the DIP Credit Agreement) except in form and substance satisfactory to the DIP Lender in its reasonable discretion. In light of the fact that the DIP Obligations are secured by priming, first priority liens on all of the Debtors' assets, in addition to the approval rights of the DIP Lender under such Section 6.5, the Debtors also shall not engage in any such Asset Sales which involve the disposition of the Prepetition Collateral of a Prepetition Secured Creditor unless in form and substance satisfactory to such Prepetition Secured Creditor in its reasonable discretion.

(g) ~~(f)~~ Nothing contained in this Final Order shall prevent the Prepetition Secured Creditors from application or use of the funds held ~~thereby~~by them in accordance with the Prepetition Secured Documents. Each of the Prepetition Secured Creditors reserves the right to seek additional or further adequate protection from the Court.

6. **Budget Maintenance**. The proceeds of the DIP Loan under the DIP Facility and the use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the DIP Financing Agreements and the DIP Budget. The Initial Agreed Budget delivered to the DIP Agent shall be accompanied by such supporting documentation as reasonably requested by the DIP Agent. The DIP Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the U.S. Trustee and counsel for the Prepetition Secured Creditors after it has been approved in accordance with the DIP Financing Agreements. The DIP Budget may not be amended without the prior consent of the Prepetition Secured Creditors, which consent shall not be unreasonably withheld or delayed. The Debtors shall provide at least two (2) business days' notice to counsel for the Committee and the Prepetition Secured Creditors prior to the effective date of any requested change in the DIP Budget.

7. **Budget Compliance and Reporting**. The proceeds of the DIP Facility and the use of Cash Collateral shall be subject to, and used in accordance with, the terms and conditions of

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the DIP Financing Agreement and the DIP Budget (subject to the variances set forth therein). Debtors acknowledge and confirm that the DIP Budget includes the payment of CSCDA Special Assessments. The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the Committee~~,~~ such information to include reasonably complete details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock Declaration~~,~~ and such information to be timely provided, sufficient for the Prepetition Secured Creditors to file an objection with this Court on two business days' notice. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and binding confidentiality agreements, ~~prior to any hearing to consider entry of a Final Order related to this DIP Motion,~~ the Debtors shall, on an ongoing basis and otherwise upon reasonable request, provide to the Prepetition Secured Creditors information concerning ~~(i) the Debtors' efforts to obtain debtor in possession financing proposals, including any proposals the Debtors received, and (ii)~~ the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted, copies of any proposals or expressions of interest, drafts and final versions of all pleadings and documentation (including purchase and sale agreements) to be used in connection with any sales of assets, and other information concerning these matters the Prepetition Secured Creditors may reasonably request.

8. **Postpetition Lien Perfection.** This Final Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens, all rights granted in the Sale Proceeds and the Escrow Deposit Account, the Prepetition Replacement Liens and the McKesson Replacement Lien, without the necessity of filing or recording any financing statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be required under the

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

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

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

11. **Cash Collection**.

(a) From and after the date of the entry of this Final Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in accounts as specified in the DIP Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to time) (collectively, the "***Cash Collection Accounts***"), which accounts shall be subject to the sole dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP Agent that, unless a "Default" or an "Event of Default" under the DIP Credit Agreement has occurred and is continuing, for so long as there are no amounts outstanding under the DIP

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Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall be authorized to use such Cash Collateral in accordance with this Final Order. All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the DIP Agent and the Prepetition Secured Creditors or as set forth in this Final Order, the Debtors shall maintain no accounts except those identified in the interim cash management order entered by the Court with respect thereto (the "***Cash Management Order***"), whether now existing or hereafter established. The Debtors and the financial institutions where the Debtors' Cash Collection Accounts are maintained (including those accounts identified in the Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent. To the extent that a Prepetition Secured Creditor's perfection in or control over bank accounts or investment accounts, including any funds or investments therein, may be affected by reason of the transfer of control to the DIP Agent or any agent of the DIP Agent in accordance with this Final Order, the perfection and control rights of the applicable Prepetition Secured Creditor therein shall be deemed to continue, subject to the prior rights of the DIP Lender, for so long as the DIP Obligations remain outstanding, and thereafter shall revert back to the applicable Prepetition Secured Lender.

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

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

13. **DIP and Other Expenses**. The Debtors are authorized and directed to pay all reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent, (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as counsel to the DIP Agent), (2) the DIP Lenders in connection with the DIP Facility, as provided herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a proposed conversion of the DIP Facility into exit financing (including the preparation and negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured Creditors, whether or not the transactions contemplated hereby are consummated, including attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, and indemnification and reimbursement of fees and expenses. Payment of all such fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall not be required to comply with the U.S. Trustee fee guidelines; however, any time that such professionals seek payment of fees and expenses from the Debtors, each professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S. Trustee or the Committee, with respect to such invoices must be in writing and state with particularity the grounds therefor and must be submitted to the applicable professional within ten (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved, it will be subject to resolution by the Court.

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Pending such resolution, the undisputed portion of any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the Debtors are authorized and directed to pay on the Closing Date all reasonable and documented fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors incurred on or prior to such date without the need for any professional engaged by such parties to first deliver a copy of its invoice or other supporting documentation. No attorney or advisor to the DIP Agent, the DIP Lenders or any Prepetition Secured Creditor shall be required to file an application seeking compensation for services or reimbursement of expenses with the Court. Upon entry of this Final Order, any and all fees, costs, and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured Creditors in connection with or with respect to these matters, were approved in full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the Debtors or any other person.

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

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

16. **Carve Out**. The DIP Liens, DIP Superpriority Claim, and Replacement Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the "***U.S. Trustee Fees***"), together with interest, if any, at the statutory rate; and (ii) all allowed claims for unpaid fees, costs and expenses incurred by persons or firms retained by the Debtors or the Committee, if

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any, whose retention is approved by the Court pursuant to any one or more of sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs and expenses are both (a) allowed by the Court pursuant to the Final Order, and (b) in accordance with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable time frame (the "***Carve Out Expenses***"); provided that the aggregate amount of such Carve Out Expenses shall not exceed (a) $2,000,000 with respect to persons or firms retained by the Debtors, and (b) $~~150,000~~[100,000] with respect to persons or firms retained by the Committee (collectively, the "***Carve Out Amount***"). Any payment or reimbursement made after the Carve Out Trigger Date in respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a dollar-for-dollar basis.

17. **Limitation of Use of Proceeds**. Notwithstanding anything set forth herein and except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses incurred in connection with initiating or prosecuting any claims, causes of action, adversary proceedings, or other litigation against the DIP Lender or any of the Prepetition Secured Creditors, including, without limitation, the assertion or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defenses or other contested matter, the purpose of which is to seek any order, judgment, determination or similar relief (i) invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in part, (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, or (d) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly or indirectly, the DIP Lender or Prepetition Secured Creditors' assertion or enforcement of their liens or security interests or realization upon any DIP Collateral or Prepetition Collateral, or (iii) prosecuting any Avoidance Actions against the DIP Lender or any Prepetition Secured Creditor, or (iv) challenging the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the adequate protection granted herein, *provided however*, that nothing in this Final Order shall limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors as adequate protection payments

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

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

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

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

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

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

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

21. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 5, 2019 (the "***Scheduled Termination Date***"); (ii) the earlier of: (a) the date that is thirty (30) days from entry of this Final Order unless a final, non-appealable order of the Court authorizing the DIP Facility in form and substance satisfactory to the DIP Lender in its sole and absolute discretion has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Lender may approve in writing in its sole and absolute discretion), (b) the date the Court denies entry of the Final Order, or (c) the date of revocation of this Final Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***"). The occurrence of the Commitment Termination

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Date, shall also constitute, subject to further Court order, termination of the Prepetition Secured Creditors' and McKesson consent to the Debtors' use of their prepetition cash collateral.

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

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

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

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

(b) Notwithstanding the preceding paragraph, immediately following the giving of notice by the DIP Lender of the occurrence and continuance of an Event of Default, the DIP Lender shall have the right in its sole discretion to take any or all of the following actions: (i) declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare the unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other DIP Financing Document to

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

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

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

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Creditors of any liability for any claims arising from the prepetition or postpetition activities of any of the Debtors.

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

27. **Proofs of Claim**. The DIP Lender will not be required to file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Creditors.

28. **Other Rights and Obligations**.

(a) **Good Faith ~~Under~~under Section 364(e) of the Bankruptcy Code. No Modification or Stay of this Final Order.** The Debtor, the DIP Lender and the Prepetition Secured Creditors have acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and authorizing use of Cash Collateral and rely on this Final Order in good faith. Based on the findings set forth in this Final Order and the record made during the Interim Hearing and the Final Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Final Order are hereafter reversed, modified amended or vacated by a subsequent order of this or any other Court, the DIP Lender and Prepetition Secured Creditors are entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or *vacatur* shall not affect the validity and enforceability of any advances made pursuant to , Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens, the Prepetition Replacement Liens or the McKesson Replacement Lien. Any claims or DIP Protections granted to the DIP Lender hereunder, or adequate protection granted to the Prepetition Secured Creditors hereunder, arising prior to the effective date of such reversal, modification, amendment or *vacatur*, shall be governed in all respects by the original provisions of this Final Order, and the DIP Lender and Prepetition Secured Creditors shall be entitled to all

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of the rights, remedies, privileges and benefits, including the DIP Protections and adequate protection granted herein, with respect to any such claims. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Final Order, the obligations owed to the DIP Lender or the Prepetition Secured Creditors prior to the effective date of any reversal or modification of this Final Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Lender or Prepetition Secured Creditors under this Final Order and/or the DIP Financing Agreements.

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

(c) **No Waiver**. The failure of the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this Final Order or otherwise, as applicable, shall not constitute a waiver of the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Lender may have pursuant to this Final Order, the DIP Financing Agreements, or applicable law. Nothing in this Final Order shall interfere with the rights of any party with respect to any non-Debtors.

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

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

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

(g) **Estate Subrogation**. After satisfaction of the DIP Liens and the Prepetition Replacement Liens against the Debtor Verity Holdings, Verity Holdings shall have an allowed unsecured superpriority administrative expense claim granted to it pursuant to section 364(c)(1), to the extent of any postpetition net intercompany advances by Verity Holdings to any other Debtor; *provided that* such claims shall be subordinated to the Prepetition Superiority Claims granted hereunder to the Prepetition Secured Creditors.

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29. **Survival of Interim Order and Other Matters.** The provisions of this Final Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Final Order including the DIP Protections granted pursuant to this Final Order and the DIP Financing Agreements, shall continue in full force and effect notwithstanding the entry of such order, and such DIP Protections shall maintain their priority as provided by this Final Order until all the obligations of the Debtors to the DIP Lender pursuant to the DIP Financing Agreements have been indefeasibly paid in full and in cash and discharged (such payment being without prejudice to any terms or provisions contained in the DIP Financing Agreements which survive such discharge by their terms). The terms and provisions of this Final Order including any protections granted to the Prepetition Secured Creditors, shall continue in full force and effect notwithstanding the entry of such order, and such protections for the Prepetition Secured Creditors shall maintain their priority as provided by this Final Order until all the obligations of the Debtors to the Prepetition Secured Creditors pursuant to applicable documentation have been discharged. The DIP Obligations shall not be discharged by the entry of an order confirming a plan of reorganization, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

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

(b) **Enforceability**. This Final Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Final Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other

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Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Final Order.

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled on an interim basis.

(d) **No Waivers or Modification of Interim Order**. The Debtors irrevocably waive any right to seek any modification or extension of this Final Order without the prior written consent of the DIP Lender and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Lender. 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 Lender with respect to any other non-Debtor or any of their assets.

Dated: _____
Los Angeles, California

/s/_____
HONORABLE JUDGE ROBLES
UNITED STATES BANKRUPTCY JUDGE

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Exhibit 1

DIP CREDIT AGREEMENT

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Exhibit 2

DIP BUDGET

/s/_____
HONORABLE JUDGE ROBLES
UNITED STATES BANKRUPTCY JUDGE

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Certain Master Trustee Comments
Draft September 24, 2018

Exhibit 1

DIP CREDIT AGREEMENT

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Style change	0
Format changed	0
Total changes	380

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Attorneys for United Nurses Associations of California/Union of Health Care Professionals ("UNAC")

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,

Debtors and Debtors in Possession

☒ Affects All Debtors

☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood Medical Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC

Lead Case No. 2:18-bk-20151-ER

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-20181-ER

Hon. Ernest M. Robles

LIMITED OBJECTION OF UNAC TO DEBTORS' MOTION FOR ENTRY OF FINAL ORDERS (A) AUTHORIZING THE DEBTORS TO OBTAIN POST-PETITION FINANCING, ETC.

BUSH GOTTLIEB
801 North Brand Boulevard, Suite 950
Glendale, California 91203-1260

☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors in Possession

Date: October 3, 2018
Time: 10:00 a.m.
Crtrm: Courtroom 1568
255 East Temple Street
Los Angeles, CA 90012

BUSH GOTTLIEB
801 North Brand Boulevard, Suite 950
Glendale, California 91203-1260

The United Nurses Associations of California/Union of Health Care Professionals ("UNAC"), a creditor and party in interest in the Chapter 11 bankruptcy cases of the above-captioned debtors-in-possession (collectively, the "Debtors"), respectfully objects to certain aspects of the Emergency Motion of Debtors *For Interim and Final Orders (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. Sections 105, 363, 364, 1107 and 110* [Docket No. 31] (the "Financing Motion") filed by Verity Health System of California, Inc. and all applicable affiliated debtors (collectively, the "Debtors"), as follows:

BACKGROUND

1. UNAC incorporates herein, in full, the background, objection and argument simultaneously filed by UNAC in this matter, entitled **LIMITED OBJECTION OF UNAC TO DEBTORS' MOTION FOR ENTRY OF FINAL ORDER TO PAY PREPETITION EMPLOYEE WAGES, ETC.** (the "Wage Order Objection").

OBJECTION

2. For the same reasons as stated in the Wage Order Objection, UNAC objects to any financing arrangements that do not adequately budget for obligations owed to UNAC-represented employees, including, but not limited to, priority and administrative claims arising in connection with any and all funding obligations pertaining to pension plans in which UNAC-represented employees participate through the Debtors.

3. The current iteration of the collective bargaining agreement ("CBA") in effect between UNAC and St. Francis Medical Center mandate, *inter alia,* payment of pension benefits for UNAC-represented employees, as partial compensation for their services to the Debtors. Articles 1901 through 1913 of the CBA establish the rights of UNAC-represented employees in a defined benefit plan generally known as the Verity Health System Retirement Plan A ("Retirement Plan A"), which is characterized as having been "frozen" since January 1, 2012. UNAC understands that Retirement Plan A encompasses employees represented by unions in addition to UNAC; specifically, the Service Employees International Union, United Health Care

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Workers-West ("SEIU-UHW") and the California Nurses Association ("CNA").

4. Articles 1914 through 1923 of the CBA establish the rights of UNAC-represented employees in a specific defined contribution plan, "fully funded by the employer," known as the "Retirement Plan Account" (the "RPA"). The CBA further describes the rights of UNAC-represented employees in other defined contribution plans, some with employer-matching components, but funded primarily by employee contributions (collectively, the "Miscellaneous Defined Contribution Plans").

5. UNAC's contact to date with Debtors' counsel has not progressed to the point where UNAC has sufficient clarity concerning the funding status of its various pension plans, but the issues raised by UNAC in the Wage Order Objection indicate that the proposed budget likely fails to provide adequate funding of UNAC-related pension obligations.

WHEREFORE, UNAC respectfully requests that the Court condition approval of the Financing Motion on inclusion of adequate funds – either as a scheduled payable or by way of an earmarked reserve – to cover any and all funds owed or accruing in order to cover Debtors' pension obligations to UNAC-represented employees, including but not limited to all such amounts characterizable as priority claims under 11 U.S.C. section 507(a)(5), or as administrative expenses under 11 U.S.C. section 503.

DATED: September 25, 2018

BUSH GOTTLIEB, A Law Corporation

By: /s/ Joseph A. Kohanski
JOSEPH A. KOHANSKI
Attorneys for United Nurses Associations of California/Union of Health Care Professionals

BUSH GOTTLIEB
801 North Brand Boulevard, Suite 950
Glendale, California 91203-1260

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:
801 N. Brand Blvd. suite 950, Glendale, CA 91203

A true and correct copy of the foregoing document entitled (*specify*): **LIMITED OBJECTION OF UNAC TO DEBTORS' MOTION FOR ENTRY OF FINAL ORDERS (A) AUTHORIZING THE DEBTORS TO OBTAIN POST-PETITION FINANCING, ETC**.

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 **September 25, 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 **September 25, 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 **September 25, 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.

SERVED BY PERSONAL DELIVERY
Honorable Ernest M. Robles
United States Bankruptcy Court
Edward R. Roybal Federal Building and Courthouse
255 E. Temple Street, Suite 1560/Courtroom 1568
Los Angeles, CA 90012

☐ 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.

September 25, 2018	Nelly Guzman	/s/Nelly Guzman
Date	*Printed Name*	*Signature*

TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):

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- **Gary F Torrell** gft@vrmlaw.com
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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession.	Lead Case No. 2:18-bk-20151-ER 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-20181-ER Chapter 11 Cases Hon. Ernest M. Robles
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC	**NOTICE OF RESOLUTION OF DISPUTES AND WITHDRAWAL OF MCKESSON CORPORATION'S OPPOSITION TO EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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

Hearing:
Date: October 3, 2018
Time: 10:00 a.m.
Place: Courtroom 1568

TO THE HONORABLE ERNEST M. ROBLES, UNITED STATES BANKRUPTCY JUDGE, AND ALL INTERESTED PARTIES:

Secured Creditor McKesson Corporation ("McKesson") filed an Opposition (the "Opposition," Docket No. 279) to the Emergency Motion of Debtors for Interim and Final Orders (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 (the "Post-Petition Financing Motion", Docket No. 31). Among other items, the Opposition details and provides evidentiary support for the facts underlying McKesson's $3.055 million senior secured claim against Verity Medical Foundation ("VMF").

As indicated in the Opposition, McKesson has worked with Debtors in hopes of reaching a resolution allowing VMF's operations and intended financing to continue uninterrupted, while also providing McKesson with the adequate protection required for its pre-petition secured claim and post-petition trade credit for the continued purchase of pharmaceutical products that McKesson is willing to provide to VMF and the physician practices managed by VMG.

McKesson and the Debtors have reached agreement with respect to the treatment of McKesson's secured claim and McKesson's willingness to provide post-petition secured trade to VMF and the physician practices managed by VMF. That agreement is reflected in agreed-upon revisions to Debtors' proposed 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 (the "Proposed Final DIP Finance Order"). Accordingly, McKesson withdraws the Opposition based on Debtor's representations and the agreed upon language contained within the Proposed Final DIP Finance Order.

Notwithstanding the withdrawal of the Opposition, McKesson reserves the right to respond to other objections raised to the Post-Petition Financing Motion and any additional changes made to the Proposed Final DIP Financing Order.

.

DATED: September 26, 2018

BUCHALTER, PC

By: */s/ Jeffrey K. Garfinkle*
Jeffrey K. Garfinkle
Attorneys for McKesson Corporation

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: Buchalter, 18400 Von Karman Avenue, Suite 800, Irvine, CA 92612

A true and correct copy of the foregoing document entitled (*specify*): NOTICE OF RESOLUTION OF DISPUTES AND WITHDRAWAL OF MCKESSON CORPORATION'S OPPOSITION TO EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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*) September 26, 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*) September 26, 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*) September 26, 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.

SERVED BY OVERNIGHT MAIL:
Honorable Ernest M. Robles
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Edward R. Roybal Federal Building and Courthouse
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Los Angeles, CA 90012

☐ 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.

September 26, 2018	Danielle Cyrankowski	/s/ Danielle Cyrankowski
Date	*Printed Name*	*Signature*

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CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Ernest M. Robles **OMNIBUS REPLY OF DEBTORS' TO THE OBJECTIONS TO THE DEBTORS' MOTION 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** FINAL HEARING: Date: October 3, 2018 Time: 10:00 a.m. Place: Courtroom 1568
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

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Verity Health System of California, Inc. ("**VHS**"), and the above-referenced affiliated debtors, the Debtors and Debtors in possession (the "**Debtors**") in the above-captioned chapter 11 cases (the "**Cases**"), submits this Omnibus Reply (the "**Omnibus Reply**") to the objections to the *Debtors' Motion 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* (the "**DIP Motion**")[1] [Docket No. 31], dated August 31, 2018 and hereby state and declare as follows:

I. PRELIMINARY STATEMENT

The DIP Motion requests authority for the Debtors to, among other things, (i) enter into a senior secured, superpriority debtor in possession financing facility with the DIP Lender in an amount up to total lending of not more than $185,000,000, (ii) authorize the interim use of Cash Collateral; (iii) grant "adequate protection" to the Prepetition Secured Creditors; and (iv) modify the automatic stay as imposed by § 362 of the Bankruptcy Code[2] to the extent necessary to implement and effectuate the terms of the DIP Facility. On September 5, 2018, the Court entered the Interim Order [Docket No. 86] granting the Debtors authority to enter into the DIP Facility, in an interim amount not to exceed $30,000,000 and only as needed to avoid immediate and irreparable harm, on an interim basis. The Debtors now seeks the entry of the proposed Final Order, a copy of which is attached hereto as **Exhibit 1**.

Most of the objecting parties do not object to the fundamental relief sought by the Debtors in the DIP Motion. Instead, most objections (described in more detail below) seek to either clarify the parties rights, vis a vis the Debtors, or priorities, vis a vis other creditors in this Case. In addition, certain objectors have raised similar objections to this DIP Motion] in their objection to the Debtors' Motion to Pay Employee Wages and Salaries. For the avoidance of doubt, the

[1] Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to them in the DIP Motion.

[2] All references to "sections" or "§" herein are to sections of the Bankruptcy Code, 11 U.S.C. §§ 101, et seq. unless otherwise noted.

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Debtors incorporate all arguments and responses contained in its Wage Motion Response (defined below) here.

II. OMNIBUS REPLY TO DIP OBJECTIONS

1. The facts, circumstances and arguments relevant to this Reply are fully set forth in the DIP Motion, the Chou Declaration submitted in support thereof, the supplemental declaration of Anita Chou submitted in support hereof (the "**Supplemental Chou Decl.**"), attached hereto as **Exhibit 2,** the declaration of James Moloney, a Managing Director and Co-Head of the Health Systems M&A Group at Cain Brothers, a division of KeyBanc Capital Markets Inc. (the "**Moloney Decl.**"), submitted in support hereof, attached hereto as **Exhibit 3**, and the declaration of Carlos De La Parra (the "**De La Parra Decl.**"), a Director at WillisTowersWatson ("**WTW**"), attached as Exhibit 1 to the Debtors Motion Response (defined below). Such facts, circumstances and arguments are incorporated by reference as though fully set forth herein.

2. The following objections have been filed in opposition to the DIP Motion:

(a) SEIU-UHW's ("**SEIU**") Objection to Emergency Motion for Order (I) Authorizing the Debtors to (A) Pay Prepetition Employee Wages and Salaries, and (B) Pay and Honor Employee Benefits and other Workforce Obligations and Objection to Emergency Motion for Orders (A) Authorizing Debtors to Obtain Post Petition Financing (B) Authorizing Debtors to Use Cash Collateral [Docket No. 213] (the "**SEIU Objection**");

(b) Objection of Retirement Plan For Hospital Employees ("**RPHE**") to Motion of Debtors for Final Orders (A) Authorizing the Debtors to Obtain Post Petition Financing Etc. [Docket No. 218] (the "**RPHE Objection**");

(c) Renewed Reservation of Rights of U.S. Bank National Association ("**U.S. Bank**"), As Series 2015 Note Trustee and Series 2017 Note Trustee, to Emergency Motion of the Debtors for Interim and Final Orders (A)) Authorizing the Debtors to Obtain Post Petition Financing, (B) Authorizing Debtors to Use Cash Collateral, (C) Granting Adequate Protection to Prepetition Secured Creditors Pursuant to 11 U.S.C. §§105, 363, 364, 1107 and 1108 [Docket No. 219] (the "**U.S. Bank Objection**");

(d) Attorney General's ("**AG**") Limited Objection to Debtors' Emergency Motions for Interim and Final Orders (A) Authorizing the Debtors to Obtain Post Petition Financing, (B) Authorizing Debtors to Use Cash Collateral, (C) Granting Adequate Protection to Prepetition Secured

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Creditors Pursuant to 11 U.S.C. §§105, 363, 364, 1107 and 1108; Memorandum of Points and Authorities in Support Thereof [Docket No. 220] (the "**AG Objection**");

(e) Swinerton Builders' ("**Swinerton**") Limited Objection to Motion of Debtors for Final Orders (A) Authorizing the Debtors to Obtain Post Petition Financing Etc. [Docket No. 269] (the "**Swinerton Objection**");

(f) McKesson Corporation's ("**McKesson**") Opposition to Emergency Motion of Debtors For Interim and Final Orders (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 [Docket No. 279] (the "**McKesson Objection**");

(g) UMB Bank N.A. (the "**Master Trustee**") and Wells Fargo National Association's (the "**2005 Bond Trustee**" and together with the Master Trustee, the "**2005 Bond Parties**") Objection to 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 [Docket No. 292] (the "**2005 Bond Parties' Objection**"); and

(h) The United Nurses Association of California/Union of Health Care Professionals' ("**UNAC**") Limited Objection to Debtors' Motion for Entry of Final Orders (A) Authorizing the Debtors to Obtain Post-Petition Financing, Etc. [Docket No. 297] (the "**UNAC Objection**").

A. Response to the SEIU Objection

3. SEIU does not challenge either the necessity of the DIP Financing or its terms. SEIU objects to the Debtors' DIP Motion solely to the extent certain post-petition "minimum funding" contributions to the defined benefit retirement plans covering its members are not reflected in the Initial Agreed Budget. SEIU contends that these amounts should be incorporated into the budget and paid in the ordinary course of business. Further, SEIU contends that since the Debtors are using the postpetition labor of some of the employees that it represents, all contributions required by the collective bargaining agreement that covers such labor is entitled to administrative expense priority no matter when those contributions accrue or what services are reflected in the demanded contributions.

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4. SEIU does not challenge the proposition compensation for prepetition services typically gives rise to a general unsecured claim. However, it assets that in the context of its unrejected, but not yet assumed, collective bargaining agreement pension contributions utilized to amortize the unfunded actuarial accrued liability of the RPHE, should be considered a "current obligation" entitled to expense of administration treatment or even superpriority treatment. In support of its position, SEIU cites to *Teamsters Indus. Sec. Fund v. World Sales (In re World Sales)*, where in the court found that a "debtor's unperformed post-petition obligations under an unmodified or unrejected CBA are beyond the scope of §365(g), and claims based on such post-petition breaches must be given administrative status." 183 B.R. 872, 878 (B.A.P. 9th Cir. 1995). The *In re World Sales* case, however, deals with facts that are wholly distinguishable from the facts here.

5. In *World Sales*, per the terms of the applicable collective bargaining agreement, the Debtor had agreed to make a monthly contribution for health and medical benefits to qualifying employees' who worked one day or more in any calendar month. *Id.* at 873. *World Sales* filed for chapter 11 protection in October of 1992 and employed 57 qualifying employees for 18 days during that month before laying them off. *Id.* *World Sales* did not make any payment on the monthly contribution due to those 57 employees in October of 1992 and never sought to reject the collective bargaining agreement under section 1113 prior to sale of its assets and subsequent layoff of the employees. As a result, the union representing them filed a motion to compel the one month of health and welfare payments as an administrative expense claim.

6. The Bankruptcy Court for the Central District of California initially allowed only 18/31 of the monthly contribution as an administrative expense, and considered the remainder of the contribution as a general unsecured claim. On appeal, however, the 9th Circuit B.A.P. found that the commercially reasonably unit of health insurance, unlike wages, is monthly coverage. *Id.*

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at 876. Since the parties agreed and intended that a single day of work entitled an employee to the monthly benefit, the entire month's contribution would be entitled to full administrative expense priority. *Id.*

7. Here, unlike in *World Sales*, each of the items SEIU seeks to include in the budget accrued prepetition and therefore are not post-petition claims under their collective bargaining agreement. As indicated in Exhibit A to the Declaration of David Miller in Support of SEIU-UHW's Opposition to Emergency Motion of Debtors for Entry of Order Authorizing Payment of Employee Benefits and Other Workforce Obligations [Docket No 215] ("**Miller Decl.**"), (a) "for participants at the O'Connor and St. Louise division, there will be no more credited service granted after December 31, 2000; (b) "Benefits were from for non-contractual participants effective February 28, 2011"; (c) "Benefits were frozen for members of UNAC effective December 31, 2011"; and (d) "Benefits were frozen for member of SEIU effective December 21, 2012." Miller Decl. Exhibit A at 30, Docket No. 215 at 15 of 42. Indeed the Debtors were contractually obligated to make those contributions even if every employee had been terminated prior to the filing. Therefore, the obligations do not qualify for administrative expense priority status.

8. Similarly, for the Daughters of Charity Retirement Plan (Verity Retirement Plan listed in De La Parra Decl, Exhibit 1) "The initial unfunded liability determined as of the January 1, 2012 actuarial valuation will be amortized over a ten (10) year fixed period." See Miller Decl. Exhibit B at 63, [Docket No 215 at 31 of 42]. The obligations have nothing to do with activities of the current workforce. Moreover, as indicated in the Chou Decl. at ¶12, Verity is already paying all of its obligations arising from post-petition labor. Any assertion by SEIU to the contrary is not accurate.

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9. The SEIU Objection makes additional assertions with respect to their entitlements that are addressed further in the Debtors' Omnibus Response to the Objections to Motion to Pay Employee Wages and Salaries (the "**Wage Motion Response**") and the Debtors incorporate in full the Wage Motion Response herein.

B. Response to the RPHE Objection

10. RPHE has objected to the Debtors' DIP Motion arguing both a timing problem and an amount problem. On the timing problem, RPHE first asserts that all contribution obligations arising from and after September 1, 2018 constitute administrative expenses under §§ 503(b) and 507(a)(2) and argues that these expenses should be included in the DIP Budget. RPHE further takes issue with the fact that the Debtors have reserved for those obligations when they actually become due, rather than in advance. RPHE acknowledges that the annual invoices for 2018 are not typically issued until 2019. But despite this acknowledgement, RPHE seems to suggest that they should be paid out sooner.

11. There is no basis under the Bankruptcy Code to prepay or escrow administrative employee claims before they come due. In fact, this Court has rejected the idea that CBA claims should be treated any different than other claims regarding priority. *In in re Certified Air Technologies, Inc.*, 300 B.R. 355, 369 (Bankr. C.D. Cal. 2003) (criticizing efforts of CBA claimants to upset the "ordered hierarchy of priorities embodied in § 507.") (followed and quoted by *In re Steiny*, 2017 WL 1788414, at *3 (Bankr. C.D. Cal. May 3, 2017) ("Had Congress intended for § 1113 to create a super-priority for pre-petition wage and benefit claims arising under a collective bargaining agreement, it would have either included language in § 1113. . .or amended section 507 to reflect [that] change.") The 2017 *Steiny* case, in fact, expressly distinguished and rejected the pre-Code case - *Matter of Pacific Far East* - on which the Objectors rely. *In re Steiny*, 2017 WL 1788414, at *3) (interpreting *Matter of Pacific Far East*

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Line, Inc., 713 F.2d 476 (9th Cir. 1983) (This Court believes that *Matter of Pacific Far East Line* has limited persuasive authority because it was decided under the old Act and before the enactment of both § 1113, which addresses the assumption and rejection of collective bargaining agreements, and § 507(a)(5), which assigns fifth priority unsecured status to contributions to employee benefit plans.). As *Steiny* noted, with the passage of § 1113 and the § 507 employee caps, CBA claimant's already have substantial protection **under the Code** - but they are not entitled to recalibrate the Code's priority scheme without a statutory basis. *Id.; see also In re Murray Indus., Inc.*, 110 B.R. 585, 587 (Bankr. M.D. Fla. 1990), vacated on other grounds, 140 B.R. 298 (M.D. Fla. 1992) ("[If a party argues that] a Chapter 11 debtor must pay [benefits] immediately. . .this. . .is in direct conflict with the treatment of claims established by the Bankruptcy Code, especially with the priority scheme established by § 507 and § 1129(9)(B)."); *In re Moline*, 144 B.R. 75, 78-79 (Bankr. N.D. Ill. 1992) (expressly rejecting the argument that § 1113 requires the "immediate" payment of obligations that arise or might arise postpetition because there was no statutory basis).

12. Further, on the amount issue, RPHE contends that the Debtors are required to pay (i) administrative expenses based on the normal cost of benefits, as determined by IRS rules and actuarial determinations and (ii) the Debtors' share of the Unfunded Actuarial Accrued Liability of the RPHE plan under ERISA, which is paid over a ten-year amortization. *See* Miller Decl. at 63, *supra*. As indicated in the Chou Decl. at 11 and De La Parra Decl. Exhibit 1, the Debtors intend to pay and have budgeted payment of the postpetition accruals with respect to normal cost and PBGC expenses.

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C. Response to the U.S. Bank Reservation of Rights

13. U.S. Bank serves as the note indenture trustee and as the collateral agent under each of the note indentures relating to the 2015 Working Capital Notes and the 2017 Working Capital Notes, respectively. U.S. Bank asserts that the Working Capital Notes are secured by a (i) senior first priority security interest and lien on certain of the Debtors' assets, including (x) Accounts of St. Francis Medical Center, St. Vincent Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and Seton Medical Center, including Seton Medical Center Coastside and (y) real property and certain personal property comprising St. Francis Medical Center and Saint Louise Regional Hospital and (ii) a parity security interest and lien on the collateral pledged to secure all of the obligations under the Master Indenture, including the Series 2005 Bonds. The 2017 Notes are additionally secured by the Moss Deed of Trust.

14. U.S. Bank asserts that there is a risk that the sale proceeds of the two most cash flow positive hospitals in which the Notes Trustee holds senior liens may be used to repay the DIP Facility, thereby causing the Notes Trustee to suffer a significant Diminution in Value as a result of the loss of its senior Cash Collateral. The Notes Trustee states that the Replacement Lien Provision (i.e. section 4(a) of the Interim Order) properly protects and preserves the lien rights of the Prepetition Secured Creditors against the risks that their priority or exclusively-pledged Cash Collateral will be used to repay the DIP Loan and states that this Replacement Lien Provision must be included in the Final Order approving the DIP Motion. The Notes Trustee reserves is right to object to any modification, without its consent, of the Replacement Lien Provision in the Final Order.

15. The Debtors professionals have worked closely with U.S. Bank's counsel and has shared copies of the draft proposed Final Order with them in advance of the Final Hearing. The

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Debtors believe the Final Order preserves the Replacement Lien Provision and satisfies the concerns raised in the U.S. Bank Objection.

D. Response to the AG Objection

16. The AG objects to the DIP Motion on the grounds that the relief sought ***may*** seek to use restricted charitable funds as cash collateral and ***may*** be used by the Debtors as a shield for compliance with applicable non-bankruptcy laws which protect the public health, safety and welfare of the people of California. The AG argues that all of the Debtors' restricted and temporarily restricted assets are under the jurisdiction of the AG and cannot be used to satisfy creditor claims or be the subject of the DIP Liens.

17. While the AG correctly asserts that it is within its supervisory and regulatory authority to ensure that all healthcare nonprofit corporations, who are subject to California's Nonprofit Public Benefit Corporation Law (Cal. Corp. Code §5110 et seq.), in fact comply with the law, the AG has not pointed to any actual violations of the law by the Debtors. Instead, it appears the AG is simply looking to ensure that the Debtors are in compliance with all of their legal obligations.

18. As outlined in the Supplemental Chou Decl., the Debtors are aware of their obligations as a nonprofit corporation and believe they adequately comply with all requirements to maintain funds in segregated accounts, as further required by GAAP. The Debtors follow a specific set of internal guidelines to determine whether its funds qualify as restricted permanent donor restricted or temporarily restricted.

19. The Debtors and their counsel have been in communication with the AG and have provided a preliminary list of all permanent donor restricted and temporarily restricted assets. The Debtors have proposed to the AG to undertake a 90 day review process wherein (a) the Debtors and counsel will review the documentation underlying their determination as to which

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funds are restricted and which funds are not restricted, and therefore would be subject to the DIP Liens, such review to be completed within 90 days. Thereafter the AG (and other interested parties, including the Committee) will have the opportunity to review the Debtors' conclusions and underlying documentation, and if the parties agree, file an accounting with the Court. If the parties do not agree, the matter will be submitted through motion practice to the Court for resolution. The Debtors are prepared to agree that to the extent certain funds are properly characterized as a donor restricted assets, then such funds will not constitute property of the Debtors' bankruptcy estates[3] and such funds will therefore not be subject to either the DIP Lien or the Prepetition Replacement Liens.

20. The AG also requests a "Carve Out" for "compliance with the California Attorney General's conditions". The AG attached a small portion of the conditions relating to the 2015 Blue Mountain transactions to its Objections. However, the AG's exhibit is misleading. The Debtors have filed the entire document creating the AG's conditions at Docket No. 256. It is 433 pages of single spaced text, imposing conditions on the Debtors including prepetition obligations related to employee pensions, requirements to borrow money for capital improvements, contracting with specific private parties and directed support to a specific private charity with funds from the Debtors' Philanthropic Foundations. The AG does not point to any provision of the DIP Credit Agreement or the Interim Order that is contrary to the AG conditions and incorporating 433 pages of single space text into the DIP Financing is unnecessary.[4] There is

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[3] The AG argues that "California law determines whether restricted donations or property held in trust are property of the bankruptcy estate"; he is mistaken. What constitutes property of the bankruptcy estate is a federal question governed by § 541 of the Code; however, whether and to what extent a debtor has any legal or equitable interest in the subject property as of the commencement of the case may be determined under state law. *See Butner v. United States*, 440 U.S. 48, 54-55.

[4] The AG's apparent efforts to exercise control over property of the Debtors' estates through enforcement of the prepetition imposed conditions also raises automatic stay implications. 11

nothing in 28 U.S.C. §959 that mandates postpetition fulfillment of third party beneficiary contract obligations and entitlements arising from commercial transaction approvals. Further, to the extent that the Debtors' are in the process of selling their hospitals and otherwise liquidating their assets, the majority of courts hold that a trustee's obligation to comply with state laws under 28 U.S.C. § 959(b) does not apply when the debtor is liquidating its assets. *See, e.g., SEC v. Wealth Mgmt. LLC*, 628 F.3d 323, 334 (7th Cir. 2010) ("[m]odern courts have ... concluded that § 959(b) does not apply to liquidations.").

21. Equally important the budget is built for compliance with the DIP Credit Agreement. It is an obvious affirmative covenant in the DIP Credit Agreement that the Debtors operate their business in compliance with relevant law. Section 5.5 of the DIP Credit Agreement specifically provides: "Each Borrower and each other Credit Party shall and shall cause any Manager to comply with the requirements of all Applicable Laws (including without limitation any Environmental Laws and Healthcare Laws) and obtain, maintain and comply with all Governmental Authorizations and Healthcare Authorizations, in each instance, applicable to it or to its business or property, in each case except to the extent any failure to comply with the foregoing could not reasonably be expected to have a Material Adverse Effect."

E. Response to the Swinerton Objection

22. Swinerton purports to hold an inchoate lien on the Seton Medical Center property, with rights to perfect its lien postpetition under both California law and the Bankruptcy Code. Swinerton asserts that it will record its lien, relating back to the date it commenced work at Seton Medical Center, "in the coming days". Swinerton and the Debtors have entered into a Stipulation Extending Deadlines for Swinerton to Object to the DIP Motion [Docket No. 282] which allows

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U.S.C. § 362(a)(3) (West 2012); *Universal Life Church, Inc. v. United States (In re Universal Life Church, Inc.),* 128 F.3d 1294 (9th Cir. 1997).

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the Debtors until October 1, 2018 to reply to the Swinerton Objection. Accordingly, the Debtors will provide a more detailed response to the Swinerton Objection by that date.

F. Response to the McKesson Objection

23. McKesson is a supplier of pharmaceutical products and specialty drugs, many of which are both difficult to procure and essential for certain of the Debtors patients and practices. Following entry of the Interim Order, McKesson contacted the Debtors and asserted a properly perfected first position lien against all of VMF's personal properly. McKesson indicated it would object to the DIP Motion to the extent the Debtors did not agree to certain changes to the proposed Final Order and concessions regarding outstanding prepetition obligations. McKesson and the Debtors have engaged in significant discussion and negotiation and have reached an agreement, whereby the Debtors have acknowledged McKesson's lien on the VMF assets, and McKesson has agreed to allow the Debtors use of its cash collateral in exchange for a replacement lien that will be subordinated only to the DIP Lien and Carve Out. In addition, the Debtors have agreed to provide adequate protection payments in the amount of $3.055 million funded from the critical vendor funds in the Budget, plus reasonable attorneys' fees from the adequate protection funds in the Budget. As a result of this agreement, McKesson has agreed to formally withdraw the McKesson Objection.

G. Response to the 2005 Bond Parties' Objection

24. The successor Master Trustee for the and the 2005 Bond Trustee lodged an Objection asserting that the Debtors have not obtained their consent to the DIP Liens as priming liens under § 364(c) and have not yet established that they can provide adequate protection to the 2005 Bond Parties as required under § 364. Based upon the First Day Declaration, the DIP Motion and the cases cited therein, the Chou Decl. in support of the DIP Motion, the

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Supplemental Chou Decl. in support of the Omnibus Reply and the Moloney Decl., the Debtors have met their required burdens.

25. Although the Debtors intend to supplement this response as to the 2005 Bond Parties, the Debtors also believe the proposed Final Order does, in fact, provide for adequate protection of the 2005 Bond Parties' interests. In particular, the Debtors observe that the 2005 Bond Parties have subordinated interests in the Note Collateral and that the Working Capital Notes have both priority collateral and a senior position in the Note Collateral as defined in the Intercreditor Agreement (as defined in the Interim Order.) *See* Docket No. 219-1.

26. U.S. Bank, as the Note Trustee within the meaning of the Intercreditor Agreement, has consented to the DIP Facility, the DIP Liens and the Prepetition Replacement Liens. Under the terms of the Intercreditor Agreement, such consent appears to be binding on the 2005 Bond Parties. In particular, section 2.4 of the Intercreditor Agreement appears to permit the U.S. Bank as Note Trustee to agree to the Prepetition Replacement Liens and consent to the DIP Liens in a manner that is binding on the 2005 Bond Parties. Section 2.4 is an "Unconditional Subordination" provision that, *inter alia*, provides "…the Master Trustee [UMB Bank] hereby expressly agrees that the Note Trustee [U.S. Bank] may… without notice to or consent of the Master Trustee …(iv) take, exchange, amend, eliminate, surrender, release, or subordinate any or all security for any or all of the obligations of the Obligors [the Debtors] under the Note Documents or the MTI Note Obligations, accept additional or substituted security therefore, or perfect or fail to perfect the Note Trustee's rights in any or all security;… ."

27. As shown above, the Intercreditor Agreement expressly permits the U.S. Bank to consent to the Final DIP Order, the DIP Liens and the Adequate Protection provisions and the structure and terms of the Prepetition Secured Replacement Liens. Such consent is enforceable in

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this Court pursuant to § 510(a). *See*, *In re Howland*, 545 B.R. 653 (Bankr. D. Or. 2015)(discussing enforcement of contractual subordination under 11 U.S.C. §510(a)).

28. Notwithstanding, the Intercreditor Agreement, the Debtors and the 2005 Bond Parties have engaged in extensive discussions to attempt to resolve the expressed concerns. Nevertheless, the parties were not able to reach an agreement satisfactory to both sides. As a result, the Debtors and the 2005 Bond Parties have entered into a Stipulation Extending Deadlines for the 2005 Bond Parties to Object to the DIP Motion [Docket No. 243]. The Debtors will provide a more detailed response to the 2005 Bond Parties' Objection by the applicable reply deadline of October 1, 2018, set forth therein.

H. Response to the UNAC Objection

29. The UNAC Objection provides that the UNAC objects to any financing arrangements that do not adequately budget for obligations owed to UNAC-represented employees, including, but not limited to, priority and administrative claims arising in connection with any and all funding obligations pertaining to pension plans in which UNAC-represented employees participate through the Debtors. The UNAC Objection makes similar arguments to those raised by SEIU and RPHE. The Debtors reiterate the responses to those arguments articulated above and incorporate herein in full the responses set forth in Wage Motion Response.

III. RESOLUTION OF INFORMAL OBJECTIONS

30. Several parties have raised informal objections to the DIP Motion with the Debtors in advance of the objection deadline. The Debtors have engaged in active negotiations with each party who raised an issue and have resolved each of these informal objections as follows.

31. Aetna Life Insurance Company ("**Aetna**"), as a creditor of Verity Holdings, expressed concerns that another Debtor entity could benefit from the use of the DIP Facility to the

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detriment of Aetna should Verity Holdings' assets be sold and used to pay back that other Debtor entity's draw under the DIP Facility. To resolve the issue, the Debtors and Aetna agreed to insert new language into the proposed Final Order, at paragraph 28(g), that provides that to the extent that either the DIP Loan or the prepetition secured loans of the other Debtors are paid by Verity Holdings in an amount greater than any draws it receives from the DIP Facility, plus interest, Verity Holdings would be subrogated to the priority of the creditors of the other Debtor who it has repaid. The Debtors believe this agreed to language prevents Verity Holdings from unfairly subsidizing any other Debtor and its creditors to the detriment of another Verity Holdings and its creditors.

32. California Statewide Communities Development Authority ("**CSCDA**") the issuer of the Clean Fund Bonds and the NR2 Petros Bonds reached out to the Debtors to request that certain language be included in the Final Order clarifying their position and priority vis a vis the DIP Facility. Specifically, CSCDA has requested, and the Debtors have agreed to insert language into the proposed Final Order the following: (i) confirmation that the DIP Lien is subject to the prepetition tax liens arising in connection with the CSCDA Special Assessment (as defined in the Final Order), (ii) clarification that the Prepetition Liens of the Prepetition Secured Creditors are junior any tax lien arising in connection with the CSCDA Special Assessment, and (iii) confirmation that the Debtors will include the CSCDA's Special Assessments in the DIP Budget, as was originally intended by the Debtors.

33. As a result of the above referenced changes the to the proposed Final Order, Aetna and CSCDA have each agreed not to object to the DIP Motion.

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IV. CONCLUSION

WHEREFORE, for the reasons set forth in the DIP Motion and above, the Debtors respectfully request entry of an order (i) granting the relief requested herein and (ii) granting the Debtors such other and further relief as the Court deems just and proper.

Dated: September 26, 2018

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EXHIBIT 1

EXHIBIT 1

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Ernest M. Robles
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**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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Upon the emergency motion (the "***DIP Motion***")[1], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") authorizing the Debtors to, among other things: *inter alia*:

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

(ii) Enter into a Debtor-in-Possession Credit Agreement (the "***DIP Credit Agreement***"), substantially in the form attached as Exhibit 2 to the Supplemental Chou Declaration, and other related financing documents (together with the DIP Credit Agreement and DIP Security Agreement, the "***DIP Financing Agreements***"), by and among each of the Debtors and Ally Bank ("***Ally***"), in its capacity as agent ("***DIP Agent***") and in its capacity as lender ("***DIP Lender***,") under the DIP Credit Agreement;

(iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements, postpetition financing of up to $30,000,000 on a revolving basis (the "***Interim DIP Loan***") and

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

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seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this Final Order;

(iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition financing of up to an additional $155,000,000, for a total of up to $185,000,000, on a revolving basis, which includes the Interim DIP Loan (the "***Final DIP Loan***," and together with the Interim DIP Loan, the "***DIP Loan***") and seek other financial accommodations from the DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and the Final Order (as defined below);

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

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

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

(viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in accordance with the proposed initial agreed budget covering the initial 13 week period (the "***Initial Agreed Budget***") a copy of which is attached to the Chou Decl. [Docket No. 32] as **Exhibit 2**, as updated from time to time (the "***DIP Budget***") and as otherwise provided in the DIP Financing Agreements, the Interim Order and this Final Order;

(ix) Provide adequate protection to certain of the Prepetition Secured Creditors (defined herein) and McKesson (defined herein) pursuant to the terms of this Final Order for any

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diminution in value of their respective interests in the Prepetition Collateral or VMF Collateral (each as defined herein) resulting from the DIP Liens (as defined herein) on the Prepetition Collateral or VMF Collateral, subordination to the Carve Out (as defined herein), or Debtors' use, sale, or lease of Prepetition Collateral or VMF Collateral, including cash collateral (such cash collateral that is Prepetition Collateral or VMF Collateral hereafter defined as "***Cash Collateral***");

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

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

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

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

The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief Financial Officer filed in support of the DIP Motion and Rich Adcock, CEO filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Motion, the proposed DIP Credit Agreement, and any the exhibits attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the hearing on the Interim Order (the "***Interim Hearing***") and on the request for entry of the Final Order (the "***Final Hearing***"); and due and proper notice of the DIP Motion, an Interim Hearing, entry of the Interim Order, and Final Hearing having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under the circumstances; and the Interim Hearing and Final Hearing having been held and concluded; and it appearing that approval of the and final relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors and is otherwise

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fair and reasonable and in the best interests of the Debtors, their estates and their creditors, and is essential for the preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this Final Order having been withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

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

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

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

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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

E. **Findings Regarding Corporate Authority**. As set forth in the resolutions accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate power and authority to execute and deliver the DIP Financing Agreements to which it is a party and to perform its obligations thereunder.

F. **Intercreditor Agreement**. Pursuant to section 510(a) of the Bankruptcy Code, the Second Amended and Restated Intercreditor Agreement dated December 1, 2017 (the "***Intercreditor Agreement***") and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect, with respect to prepetition and post-petition assets of the Debtors as provided thereunder, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors (including the relative priorities, rights and remedies of such parties with respect to the Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable, by the Debtors under the Interim Order, this Final Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or

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modified by the terms of this Final Order or the DIP Financing Agreements, unless expressly set forth herein.

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

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

In addition to the security provided to the Master Trustee to secure the MTI Obligations, U.S. Bank, as Note Trustee for the 2015 Working Capital Notes and the 2017 Working Capital Notes is secured by first priority liens upon and security interests in the

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Obligated Group's accounts and deeds of trust on the principal real estate assets of Saint Louise Regional Hospital and St. Francis Medical Center (collectively, the "***Priority Collateral***"). U.S. Bank as Notes Trustee for the 2017 Working Capital Notes has also been granted a deed of trust, dated as of December 1, 2017, by Verity Holdings in certain real property located in San Mateo California (the "***Moss Deed of Trust***") to further secure the 2017 Working Capital Notes.

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

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

H. **Prepetition Secured Trade Vendor Arrangement**. Prior to the Petition Date, VMF entered into agreements for the sole source purchasing of certain critical chemotherapy and other pharmaceutical products and medical-surgical products with McKesson Corporation and certain affiliates ("***McKesson***"), and on or about March 27, 2018 granted to McKesson a prepetition perfected security interest ("***VMF Liens***") in VMF tangible and intangible personal property, including accounts (the "***VMF Collateral***"), but such perfected security interest excluded VMF cash (to the extent such cash does not represent proceeds of the VMF Collateral), personal property requiring possession for perfection and real property interests. As of the Petition Date, McKesson was owed approximately $3,055,000.00 (the "***McKesson Prepetition Debt***"). Postpetition, and subject to McKesson's internal credit review and approval process,

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McKesson has agreed to resume providing certain secured trade credit to VMF and the physician practices ordering through VMF for the purchase of pharmaceutical and medical-surgical products on 30 days from invoice payment terms (the "***McKesson Post-Petition Trade Credit***"). The McKesson Post-Petition Trade Credit will continued to be secured by the VMF Liens.

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

J. **Prepetition Agreements to Pay Special Assessments.** Seton Medical Center, a Debtor, ("***SMC***") and California Statewide Communities Development Authority ("***CSCDA***") entered into an (i) Agreement to Pay Assessment and Finance Improvements dated May 11, 2017 under the CSCDA CaliforniaFirst Program ("***Clean Fund Agreement to Pay Assessment***"), and (ii) Agreement to Pay Assessment and Finance Improvements dated May 18, 2017 under the CSCDA CaliforniaFirst Program ("***Petros Agreement to Pay Assessment***", collectively, with Clean Fund Agreement to Pay Assessment, the "***Assessment Agreements*** "), each for the limited purpose of providing financing for certain renewable energy, energy efficiency, water efficiency and seismic improvements permanently affixed to real property owned by SMC located in Daly City, California under the CSCDA CaliforniaFirst Program in the aggregate amount of $40,000,000. As of the Petition Date, after payment of tax exempt bond issuance fees for the Clean Fund Bonds and the NR2 Petros Bonds (each as defined in the DIP Motion) and retention of capitalized interest reserves approximately $34,379,450 is being held for authorized improvements (the "***Program Funds***") by Wilmington Trust N.A. ("***WTNA***") as indenture trustee, pursuant to, *inter alia*, the terms of two Indentures between CSCDA and WTNA dated as of May 11, 2017 and May 18, 2017 and the Assessment Agreements. Notwithstanding SMC's status as a

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tax exempt California not for profit corporation, SMC agreed and consented to the CSCDA special tax assessments imposed pursuant to and under the Assessment Agreements (the "***CSCDA Special Assessments***"). The Debtors acknowledge that the CSCDA Special Assessments have the same lien priority and methods of collection as general municipal taxes on real property. Notices of Assessment and Payment of the Special Assessments were recorded in the official records of the County of San Mateo against the real property owned by SMC and consented to by the Prepetition Secured Lenders. The Debtors acknowledge that the Program Funds and other proceeds of the issuance of the Clean Fund Bonds or NR2 Petros Bond which are being held by WTNA are not property of the Debtors' estates, and are not subject to the Prepetition Liens, the DIP Liens, or the Prepetition Replacement Liens.

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

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

(ii) **Good Cause; Need for Postpetition Financing**. Good cause has been shown for the entry of this Final Order. An immediate and continuing need exists for the Debtors to obtain funds from the DIP Loan in order to continue operations, continue to serve the Debtors mission to provide vital, lifesaving patient care for vulnerable populations and to administer and preserve the value of their estates. The ability of the Debtors to finance their operations, to preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors

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requires the availability of working capital from the DIP Loan, the absence of which would immediately and irreparably harm the Debtors, their estates and their creditors and the possibility for a successful reorganization or sale of the Debtors' assets as a going concern or otherwise. The proposed DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

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

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

M. **Application of Sale Proceeds of DIP Collateral.** The Debtors have agree with the DIP Lender that, subject to the terms of this Final Order and the DIP Credit Agreement, DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property, including, without limitation, the Facilities and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The Sale Proceeds for each Debtor shall be held in escrow in one or more deposit accounts subject to a deposit account control agreement in favor of the DIP Lender (the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled with any other funds of the Debtor, the Sale Proceeds of any other Debtor or otherwise. The DIP Lender is granted a first priority lien on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in

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connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors subject to any Prepetition Liens, VMF Liens, Prepetition Replacement Liens and VMF Replacement Liens; provided, however, that upon any Debtor's request and with the consent of the DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors or McKesson on terms and conditions that are acceptable to the DIP Lender in its sole discretion and upon further order of this Court.

N. **Adequate Protection for Prepetition Secured Creditors and McKesson.** The priming of the Prepetition Secured Creditors' Prepetition Liens to the extent set forth below pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens set forth below, the Prepetition Secured Creditors and McKesson shall be entitled to receive adequate protection, as set forth in this Final Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests in the Prepetition Collateral or VMF Collateral resulting from, among other things, the subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of such Prepetition Collateral or VMF Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively, and solely to the extent of such diminution in value, the "***Diminution in Value***"). As to the VMF Collateral, any adequate protection, as set forth in this Final Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any Diminution in Value of Prepetition Secured Creditors' interests in the Prepetition Collateral are subordinated to any similar adequate protection provided to McKesson. VMF shall also pay McKesson (A) $3,055,000.00 in satisfaction of the balance of McKesson's Prepetition Secured Debt on the

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following schedule: (1) October 5, 2018 - $1,700,000.00; (2) October 26, 2018 - $700,000.00; and (3) November 2, 2018 - $655,000.00 (plus McKesson's attorneys' fees and costs incurred through October 31, 2018) (the "***McKesson Secured Payments***"). The McKesson Secured Payments will be included within the DIP Budget line item for Debtors' critical vendor program. Payment of McKesson's attorneys' fees will be included in the DIP Budget line item for Prepetition Secured Creditor Adequate Protection Payments. The Prepetition Secured Creditors have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral to help fund the administration of the Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the record presented to the Court at the Interim Hearing and the Final Hearing, the terms of the proposed adequate protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Creditors and McKesson; provided, however, that nothing herein shall limit the rights of any of the Prepetition Secured Creditors or McKesson to hereafter seek new, additional, or different adequate protection.

O. **Extension of Financing**. The DIP Lender has indicated a willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement. The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit Agreement and the other DIP Financing Agreements. The DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Final Order and the DIP Financing Agreements will not be affected by any subsequent reversal or modification of this Final Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

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

(i) The DIP Lender has indicated a willingness to provide DIP Financing to the Debtors in accordance with the DIP Financing Agreements. The terms and conditions of the DIP Facility and the DIP Financing Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of

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prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

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

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

(iv) The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Financing Agreements, and the DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Final Order and the DIP Financing Agreements will not be affected or avoided by any subsequent reversal or modification of this Final Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.

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

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

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. **Motion Granted**. The DIP Motion is granted on an interim basis in accordance with the terms and conditions set forth in this Final Order and the DIP Credit Agreement. Any

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objections to the DIP Motion with respect to entry of this Final Order to the extent not withdrawn, waived or otherwise resolved, and all reservations of rights included therein, are hereby denied and overruled.

2. **DIP Financing Agreements.**

(a) **Approval of Entry Into DIP Financing Agreements**. The Debtors are authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Final Order and the DIP Financing Agreements, and to execute and deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Financing Agreements and the creation and perfection of the DIP Liens described in and provided for by this Final Order and the DIP Financing Agreements. The Debtors are hereby authorized and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and other amounts described in the DIP Credit Agreement as such amounts become due and payable without need to obtain further Court approval, including closing fees, unused line fees, administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, and whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in this Final Order or the DIP Financing Agreements. All collections and proceeds, whether from ordinary course collections, asset sales, debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Final Order and the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, including, without limitation, commitment fees and reasonable attorneys' fees and disbursements as provided for in the DIP Credit Agreement, which amounts shall not otherwise be subject to approval of this Court, *provided however,* that notwithstanding section 2.9(a) of the DIP Credit Agreement, following entry of this Final Order, the Debtors shall pay

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only $1,600,000 on account of the commitment fee. The Debtors shall pay the deferred balance of the commitment fee required by section 2.9(a) of the DIP Credit Agreement only upon entry of a Final Order approving the DIP Credit Agreement.

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

(c) **Conditions Precedent.** The DIP Lender shall have no obligation to make the DIP Loan or any loan or advance under the DIP Credit Agreement unless the conditions precedent to making such loan under the DIP Credit Agreement have been satisfied in full or waived by the DIP Lender in its sole discretion.

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

(e) **DIP Lien Priority**. Subject only to the Carve Out (as defined below) and the prepetition tax lien arising in connection with the CSCDA Special Assessments, the DIP

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Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing, enforceable, non-avoidable first priority senior priming liens and security interests on the DIP Collateral, and shall prime all other liens and security interests on the DIP Collateral, including any liens and security interests in existence on the Petition Date against the Prepetition Collateral and VMF Collateral, and any other current or future liens granted on the DIP Collateral, including any adequate protection or replacement liens granted on the DIP Collateral (collectively, the "***Primed Liens***") (other than the Debtors' claims and causes of action under sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar actions under the Bankruptcy Code or similar state law (the "***Avoidance Actions***"), whether received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens shall not be made subject to, subordinate to, or *pari passu* with any lien or security interest by any court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid and enforceable against any trustee appointed in the Chapter 11 Cases, upon the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (any "***Successor Cases***"), and/or upon the dismissal of any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

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

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

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

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Final Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Final Order and terminating upon the occurrence of an Event of Default (as defined below) and the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

4. **Application of Sale Proceeds of DIP and Prepetition Secured Creditor Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to

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section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to the Sale Proceeds. The Sale Proceeds shall be allocated by Debtor and held in escrow in the Escrow Deposit Accounts. Funds held in any Escrow Deposit Account shall not be commingled with any other funds of the applicable Debtor or any of the other Debtors and, without limitation of the rights of the DIP Lender upon the occurrence of an Event of Default under the DIP Financing Documents or pursuant to this Final Order, the Debtors shall not be permitted to use Cash Collateral of any of the Prepetition Secured Creditors held in any Escrow Deposit Account for any purpose without first obtaining the consent of the applicable Prepetition Secured Creditor or obtaining an order of the Court pursuant to Section 363 of the Bankruptcy Code after notice and a hearing. The DIP Lender is granted a first priority lien on the Escrow Deposit Accounts and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Lender may apply amounts held in Escrow Deposit Accounts to the outstanding obligations under the DIP Loan. Without limiting the foregoing, and subject in all respects to the DIP Lender's first priority priming lien, the Prepetition Secured Creditors' Prepetition Liens shall be deemed to attach to the Escrow Deposit Accounts and the Sale Proceeds with the same relative priority, validity, force, extent and effect as the Prepetition Liens attached to the Prepetition Collateral giving rise to such Sale Proceeds. Each of the Prepetition Secured Creditors shall have the right to seek a declaration of their respective rights in and to any of the Sale Proceeds and funds held in a Deposit Escrow Account, consistent with and subject to the terms and conditions of this Final Order, and the Court shall determine all such disputes in accordance with this Final Order, the Prepetition Secured Documents, and applicable law.

5. **Adequate Protection for Prepetition Secured Creditors**. As adequate protection for the interests of the Prepetition Secured Creditors in the Prepetition Collateral and McKesson in the VMF Collateral, but subject to the rights of the Prepetition Secured Creditors in the Sale Proceeds and Deposit Escrow Accounts set forth above, on account of the granting of the DIP

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Liens, subordination to the Carve Out (as defined below), any Diminution in Value arising out of the Debtors' use, sale, or disposition or other depreciation of the Prepetition Collateral, including Cash Collateral or the VMF Collateral, resulting from the automatic stay, the Prepetition Secured Creditors and McKesson shall receive adequate protection as follows:

(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, 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 have the same relative priority, validity, force, extent and effect as the liens that they replace and which shall be junior only to (1) the Carve Out, (2) to the DIP Liens securing the DIP Obligations, (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 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)

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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. 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. 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.

(b) **Adequate Protection Payments and Protections**. So long as there is no Default or Event of Default under the Interim Order, this Final Order, or the DIP Financing Agreements, the Debtors are also authorized and directed to provide (I) to the Prepetition Secured Creditors monthly adequate protection payments equal to the amount of postpetition, non-default contractual interest on the outstanding balances of the Prepetition Secured Obligations, provided that reference to the non-default contractual rate of interest shall not include any Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents, plus monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee, respectively, and reimbursement of reasonable attorney's fees for one set of attorneys for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB Financing; and (II) payments by the Debtors to McKesson consistent with certain terms of the interim and final orders authorizing the Critical Vendor Program (as defined in the Debtors First Day Motions) in

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an amount of $3,055,000.00 (collectively I and II are the "***Prepetition Adequate Protection Payments***"). Notwithstanding the foregoing, to the extent the Court enters a final and non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code, that the Prepetition Adequate Protection Payments under (I) above are not properly allocable to interest on one or more of the respective Prepetition Secured Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-characterized as payment(s) applied to the principal amount of the respective Prepetition Secured Obligations.

(c) **McKesson Secured Payments.** As set forth herein, the Debtors are hereby authorized and directed to make all McKesson Secured Payments on or before their respective due dates and authorized to make payments on McKesson's Post-Petition Trade Credit, on the terms agreed to between McKesson and the Debtors provided herein.

(d) **Prepetition Superpriority Claim**. To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below, an allowed superpriority administrative expense claim (the "***Prepetition Superpriority Claims***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising of any kind or nature whatsoever including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552, 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of the Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition Superpriority Claim 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

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Agreement shall have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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 Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

(e) **Validity, Perfection and Amount of Prepetition Liens**. The Debtors further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the Prepetition Secured Obligations on the Prepetition Collateral and the VMF Liens on the VMF Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition Secured Creditors and McKesson, (b) the Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral except the prepetition tax lien arising in connection with the CSCDA Special Assessments, and (c) the VMF Liens were senior in priority over any and all other Liens on VMF Collateral. The findings and stipulations set forth in this Final Order with respect to the validity, enforceability and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and all of their successors in interest and assigns, including the Committee, unless, and solely to the extent that, a party in interest with requisite standing and authority (other than the Debtors, as to which any Challenge (as defined

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below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens (each such proceeding or appropriate pleading commencing a proceeding or other contested matter, a "***Challenge***") within ninety (90) days from the formation of the Committee (the "***Challenge Deadline***"); *provided however* that the filing by the Committee of a motion for standing to prosecute a Challenge shall automatically toll the Challenge Deadline; and *provided further*, that the "Challenge Deadline" for matters solely relating to the value of the Prepetition Collateral may be further extended to such time as may be agreed by the parties or further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be amended upon further order of this Court and the consent of both the Prepetition Secured Creditors and the DIP Lender. The Debtors shall not use the Prepetition Collateral, VMF Collateral or their proceeds to investigate or prosecute claims against the Prepetition Secured Creditors or McKesson, including Avoidance Actions, *provided however* that the Committee may investigate the existence of such claims and have allowed fees paid from the Prepetition Collateral or VMF Collateral and the proceeds of the DIP Facility up to the amount of $100,000, *provided further however* that no Prepetition Collateral or VMF Collateral, the proceeds thereof or the proceeds of the DIP Facility may be used to prosecute claims against Prepetition Secured Creditors or McKesson. For the avoidance of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition Secured Creditors or McKesson from any Challenge raised by third parties, including the Committee, to the validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition Liens or the VMF Liens.

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

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552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the Bankruptcy Code.

(g) Nothing contained in this Final Order shall prevent the Prepetition Secured Creditors from application or use of the funds held thereby in accordance with the Prepetition Secured Documents. Each of the Prepetition Secured Creditors reserves the right to seek additional or further adequate protection from the Court.

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

7. **Budget Compliance and Reporting**. The proceeds of the DIP Facility and the use of Cash Collateral shall be subject to, and used in accordance with, the terms and conditions of the DIP Financing Agreement and the DIP Budget (subject to the variances set forth therein). Debtors acknowledge and confirm that the DIP Budget includes the payment of CSCDA Special Assessments. The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the Committee, such information to include reasonably complete details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock Declaration, and such information to be timely provided, sufficient for the Prepetition Secured Creditors to file an objection with this Court on two business days' notice. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or

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to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and binding confidentiality agreements, prior to any hearing to consider entry of a Final Order related to this DIP Motion, the Debtors shall provide to the Prepetition Secured Creditors information concerning (i) the Debtors' efforts to obtain debtor in possession financing proposals, including any proposals the Debtors received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted, copies of any proposals or expressions of interest, and other information concerning these matters the Prepetition Secured Creditors may reasonably request.

8. **Postpetition Lien Perfection.** This Final Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens, the Prepetition Replacement Liens and the VMF Replacement Lien, and all rights granted in and to the Escrow Deposit Accounts and the Sale Proceeds, without the necessity of filing or recording any financing statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be required under the law of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement or obtaining possession of any possessory collateral) to validate or perfect the DIP Liens, Prepetition Replacement Liens or VMF Replacement Lien, or to entitle the DIP Liens, Prepetition Replacement Liens and VMF Replacement Lien the respective priorities granted herein. Notwithstanding and without limiting the foregoing, the DIP Lender may file such financing statements, mortgages, deeds of trust, notices of liens and other similar documents as it deems appropriate, and it is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, deeds of trust, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of the Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the DIP Lender all such financing statements, mortgages, deeds of trust, deposit account control

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agreements, notices and other documents as the DIP Lender may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents shall be considered DIP Financing Agreements for all intents and purposes. The DIP Lender, in its discretion, may file a certified copy of this Final Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the recording officer shall be authorized to file or record such copy of this Final Order. To the extent that any Prepetition Secured Creditor is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements, bailee letters, custom broker agreements, financing statement, account control agreements, or any other Prepetition Secured Documents or is listed as loss payee or additional insured under any of the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under such documents or to be the loss payee or additional insured, as applicable.

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

10. **Proceeds of Subsequent Financing**. If the Debtors, any trustee, any examiner with expanded powers, or any responsible officer subsequently appointed in these Chapter 11 Cases or any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections 364(b), 364(c), or 364(d) or in violation of the DIP Financing Agreements at any time prior to the indefeasible repayment in full of all DIP Obligations and Prepetition Secured Obligations (to the extent such remain outstanding), and the termination of the DIP Agent's and the DIP Lenders'

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obligation to extend credit under the DIP Facility, including subsequent to the confirmation of any chapter 11 plan of reorganization with respect to any or all of the Debtors and the Debtors' estates, and such facility is secured by any DIP Collateral, then all the cash proceeds derived from such credit or debit shall immediately be turned over to the DIP Agent to be applied in accordance with this Final Order and the DIP Financing Agreements.

11. **Cash Collection**.

(a) From and after the date of the entry of this Final Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in accounts as specified in the DIP Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to time) (collectively, the "***Cash Collection Accounts***"), which accounts shall be subject to the sole dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP Agent that, unless a "Default" or an "Event of Default" under the DIP Credit Agreement has occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall be authorized to use such Cash Collateral in accordance with this Final Order. All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the DIP Agent and the Prepetition Secured Creditors or as set forth in this Final Order, the Debtors shall maintain no accounts except those identified in the interim cash management order entered by the Court with respect thereto (the "***Cash Management Order***"), whether now existing or hereafter established. The Debtors and the financial institutions where the Debtors' Cash Collection Accounts are maintained (including those accounts identified in the Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent. To the extent that a Prepetition Secured Creditor's perfection in or control over bank accounts or investment accounts, including any funds or investments therein, may be affected by reason of the

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transfer of control to the DIP Agent or any agent of the DIP Agent in accordance with this Final Order, the perfection and control rights of such Prepetition Secured Creditor therein shall be deemed to continue, subject to the senior, priming rights of the DIP Lender, for so long as the DIP Obligations remain outstanding, and thereafter shall revert back to such Prepetition Secured Creditor.

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

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

13. **DIP and Other Expenses**. The Debtors are authorized and directed to pay all reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent, (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as counsel to the DIP Agent), (2) the DIP Lenders in connection with the DIP Facility, as provided herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a

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proposed conversion of the DIP Facility into exit financing (including the preparation and negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured Creditors and McKesson, whether or not the transactions contemplated hereby are consummated, including attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, and indemnification and reimbursement of fees and expenses. Payment of all such fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors and McKesson shall not be required to comply with the U.S. Trustee fee guidelines; however, any time that such professionals seek payment of fees and expenses from the Debtors, each professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S. Trustee or the Committee, with respect to such invoices must be in writing and state with particularity the grounds therefor and must be submitted to the applicable professional within ten (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved, it will be subject to resolution by the Court. Pending such resolution, the undisputed portion of any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the Debtors are authorized and directed to pay on the Closing Date all reasonable and documented fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors incurred on or prior to such date without the need for any professional engaged by such parties to first deliver a copy of its invoice or other supporting documentation. No attorney or advisor to the DIP Agent, the DIP Lenders any Prepetition Secured Creditor or McKesson shall be required to file an application seeking compensation for services or reimbursement of expenses with the Court. Upon entry of this Final Order, any and all fees, costs, and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured Creditors and McKesson in connection with or with respect to these matters, were approved in full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the Debtors or any other person.

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

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

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

17. **Limitation of Use of Proceeds**. Notwithstanding anything set forth herein and except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses incurred in connection with initiating or prosecuting any claims, causes of action, adversary

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proceedings, or other litigation against the DIP Lender or any of the Prepetition Secured Creditors, including, without limitation, the assertion or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defenses or other contested matter, the purpose of which is to seek any order, judgment, determination or similar relief (i) invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in part, (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, (d) the VMF Liens or (e) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly or indirectly, the DIP Lender or Prepetition Secured Creditors' or McKesson's assertion or enforcement of their liens or security interests or realization upon any DIP Collateral or Prepetition Collateral, or the VMF Collateral, or (iii) prosecuting any Avoidance Actions against the DIP Lender or any Prepetition Secured Creditor or McKesson, or (iv) challenging the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the McKesson Prepetition Debt, or the adequate protection granted herein, *provided however*, that nothing in this Final Order shall limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors or McKesson as adequate protection payments.

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

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

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

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

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

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

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

21. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of

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the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 5, 2019 (the "***Scheduled Termination Date***"); (ii) the earlier of: (a) the date that is thirty (30) days from entry of this Final Order unless a final, non-appealable order of the Court authorizing the DIP Facility in form and substance satisfactory to the DIP Lender in its sole and absolute discretion has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Lender may approve in writing in its sole and absolute discretion), (b) the date the Court denies entry of the Final Order, or (c) the date of revocation of this Final Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***"). The occurrence of the Commitment Termination Date, shall also constitute, subject to further Court order, termination of the Prepetition Secured Creditors' and McKesson consent to the Debtors' use of their prepetition cash collateral (the "**Carve Out Trigger Date**").

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

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

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

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

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

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Obligations and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the DIP Agent or any DIP Lender.

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

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

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

27. **Proofs of Claim**. The DIP Lender will not be required to file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Creditors.

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28. **Other Rights and Obligations.**

(a) **Good Faith Under Section 364(e) of the Bankruptcy Code. No Modification or Stay of this Final Order.** The Debtor, the DIP Lender, the Prepetition Secured Creditors and McKesson have acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and authorizing use of Cash Collateral and rely on this Final Order in good faith. Based on the findings set forth in this Final Order and the record made during the Interim Hearing and the Final Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Final Order are hereafter reversed, modified amended or vacated by a subsequent order of this or any other Court, the DIP Lender, Prepetition Secured Creditors and McKesson are entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or *vacatur* shall not affect the validity and enforceability of any advances made pursuant to , Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens, the Prepetition Replacement Liens or the VMF Replacement Lien. Any claims or DIP Protections granted to the DIP Lender hereunder, or adequate protection granted to the Prepetition Secured Creditors and McKesson hereunder, arising prior to the effective date of such reversal, modification, amendment or *vacatur*, shall be governed in all respects by the original provisions of this Final Order, and the DIP Lender, Prepetition Secured Creditors or McKesson shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections and adequate protection granted herein, with respect to any such claims. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Final Order, the obligations owed to the DIP Lender, the Prepetition Secured Creditors or McKesson prior to the effective date of any reversal or modification of this Final Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Lender, the Prepetition Secured Creditors or McKesson under this Final Order and/or the DIP Financing Agreements.

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

(c) **No Waiver**. The failure of the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this Final Order or otherwise, as applicable, shall not constitute a waiver of the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Lender may have pursuant to this Final Order, the DIP Financing Agreements, or applicable law. Nothing in this Final Order shall interfere with the rights of any party with respect to any non-Debtors.

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

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

(f) **Amendment.** The Debtors and the DIP Lender may amend or waive any provision of the DIP Financing Agreements, on notice to the Office of the U.S. Trustee, the Committee, the Prepetition Secured Creditors and McKesson. The Debtors shall give each

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Prepetition Secured Creditor and McKesson notice concurrent with giving such notice or request to the DIP Agent for any amendment or waiver of the DIP Financing Agreements and, without prejudice to the effectiveness of any such amendment or waiver, each Prepetition Secured Creditor shall have the right to file a motion objecting to such amendment. Nothing in this DIP Order shall authorize the DIP Agent or DIP Lenders to increase the commitments in excess of the commitments set forth in this Final Order, increase the contract interest rate, defined in the DIP Credit Agreement as the Applicable LIBOR Margin, or Default Rate or extend the maturity date, defined in the DIP Credit Agreement as the "Scheduled Termination Date". Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all the Debtors and the DIP Lender, and, if material, approved by the Court. Nothing herein shall preclude the Debtors and the DIP Lender from implementing any amendment or waiver of any provision of the DIP Financing Agreements.

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

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29. **Survival of Interim Order and Other Matters.** The provisions of this Final Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Final Order including the DIP Protections granted pursuant to this Final Order and the DIP Financing Agreements, shall continue in full force and effect notwithstanding the entry of such order, and such DIP Protections shall maintain their priority as provided by this Final Order until all the obligations of the Debtors to the DIP Lender pursuant to the DIP Financing Agreements have been indefeasibly paid in full and in cash and discharged (such payment being without prejudice to any terms or provisions contained in the DIP Financing Agreements which survive such discharge by their terms). The terms and provisions of this Final Order including any protections granted to the Prepetition Secured Creditors and McKesson, shall continue in full force and effect notwithstanding the entry of such order, and such protections for the Prepetition Secured Creditors and McKesson shall maintain their priority as provided by this Final Order until all the obligations of the Debtors to the Prepetition Secured Creditors and McKesson pursuant to applicable documentation have been discharged. The DIP Obligations shall not be discharged by the entry of an order confirming a plan of reorganization, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

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

(b) **Enforceability**. This Final Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Final Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other

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Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Final Order.

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled on an interim basis.

(d) **No Waivers or Modification of Interim Order**. The Debtors irrevocably waive any right to seek any modification or extension of this Final Order without the prior written consent of the DIP Lender and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Lender. 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 Lender with respect to any other non-Debtor or any of their assets.

Dated: _____
Los Angeles, California

/s/_____
HONORABLE JUDGE ROBLES
UNITED STATES BANKRUPTCY JUDGE

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EXHIBIT 2

EXHIBIT 2

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Judge Ernest M. Robles
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**SUPPLEMENTAL DECLARATION OF ANITA CHOU, CHIEF FINANCIAL OFFICER, IN SUPPORT OF MOTION FOR FINAL ORDER AUTHORIZING (A) AUTHORIZING THE DEBTORS TO OBTAIN POST PETITION FINANCING (B) AUTHORIZING THE DEBTORS TO USE CASH COLLATERAL; (C) GRANTING ADEQUATE PROTECTION TO PREPETITION SECURED CREDITORS PURSUANT TO 11 U.S.C. §§105, 363, 364, 1107 AND 1108** FINAL HEARING: Date: October 3, 2018 Time: 10:00 a.m. Place: Courtroom 1568

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I, Anita Chou, submit this Supplemental Declaration in support of the Debtors' Omnibus Reply (the "***DIP Reply***") in Support of Debtors' Motion 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 (the "***DIP Motion***")[1], and hereby state and declare as follows:

1. I am the Chief Financial Officer ("***CFO***") of Verity Health System of California, Inc. ("***VHS***"). I became the Debtors' acting CFO on August 20, 2018, and on August 29, 2018, the board of directors appointed me as the CFO. On August 31, 2018, I submitted to the Court my Declaration in Support of the DIP Motion [Docket 32] (the "***Initial Declaration***"). I submit this Supplemental Declaration with information that may be of interest to the Court in light of the objections filed by various parties to the DIP Motion, and issues raised by parties that have resulted in the Debtors proposed modifications to the Interim Order [Docket 86] authorizing use of cash collateral, authorizing borrowing under the DIP Credit Agreement (an executed copy of which is attached hereto as **Exhibit 2**) up to $30 million on an interim basis and granting superpriority priming liens to DIP Lender, granting junior replacement liens as adequate protection to certain prepetition secured parties.

2. The statements herein are based upon my personal knowledge of the facts and information gathered by me in my capacity as CFO for VHS.

I. Prepetition Secured Trade Debt

3. The consolidated funded secured debt of the Debtors is described on Exhibit 1 to my Initial Declaration. At the time of my Initial Declaration, I was unaware of actions by a former senior employee of Verity Medical Foundation ("***VMF***") granting a security interest in personal property and general intangibles to McKesson Corporation and its affiliates ("***McKesson***"). McKesson supplies pharmaceuticals to VMF on behalf of physician groups servicing hospitals and clinics that are part of the operations of the Verity Health System. Such

[1] Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to them in the DIP Motion.

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pharmaceutical supplies from McKesson include critical patient care drugs for cancer treatments, for which delivery delays can force patients to change treatment centers and doctors. Although McKesson filed a UCC-1 prior to the Petition Date, it did not record any mortgages, took no assignments of contracts and did not take possession or control of any deposit accounts. As of the Petition Date, VMF owed McKesson approximately $3.055 million (the "***McKesson Prepetition Debt***").

4. On September 25, 2018, VMF and McKesson agreed to a payment schedule to be included in the proposed Final Order for the payment of the McKesson Prepetition Debt. Pursuant to that agreement, utilizing funds that will be allocated in the Revised Interim Budget for payments under the critical vendor program, the McKesson Prepetition Debt will be paid in three (3) installments the last of which will be November 2, 2018. In addition, McKesson has agreed to limited restoration of normal trade terms of 30 days with respect to all postpetition invoices to VMF and to consent to the modified language of the proposed Final Order that has been filed by the Debtors in connection with their DIP Reply.

II. Access to Restricted Cash and Investments

5. As explained in the First Day Declaration of Richard Adcock [Docket No. 8] and in my Initial Declaration, there are five (5) Philanthropic Foundations that are affiliated Debtors. O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Foundation, St. Vincent Foundation, Seton Medical Center Foundation are collectively referred to as the "Philanthropic Foundations." Each of the Philanthropic Foundations operates at a loss on an annual basis and each is a Borrower under the DIP Credit Agreement. *See* §2.4(h). In addition, the Philanthropic Foundations are the recipients of donor restricted funds. Under the terms of the DIP Credit Agreement, the Interim Order and the proposed Final Order, donor restricted funds are not subject to the DIP Liens or the Prepetition Replacement Liens.

6. As of the Petition Date donor restricted funds at the Philanthropic Foundations totaled $12,085,018. Donor restricted funds are either funds of an endowment nature, where the donor directly or indirectly specified that only interest and dividends could be used by the

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Philanthropic Foundation ("***Permanent Donor Restricted Funds***") or the donor directly or indirectly specified that use of the donation had a program limitation and a timing limitation in connection with certain grant agreements ("***Temporarily Restricted Funds***"). Temporarily restricted funds is a management designation, applied to both grants and funds that are not Permanent Donor Restricted Funds either by way of express of implied donor limitation of principal or express or implied donor limitations on programmatic use or asset acquisition limitations, but for which management has limited their use consistent with its understanding of the donor's intent. As of the Petition Date, Temporarily Restricted Funds at the Philanthropic Foundations totaled $6,598,637. It is my understanding that the balances of such funds will fluctuate with receipt of additional donations and the expiration of restrictions. The Philanthropic Foundations also have unrestricted funds which are all funds and investments that are neither Permanent Donor Restricted Funds or Temporarily Restricted Funds. The Debtors adequately comply with all requirements to keep the Permanent Donor Restricted Funds and the Temporarily Restricted Funds segregated, as required by GAAP.

7. An example of a Permanent Donor Restricted Fund exists at O'Connor Hospital Foundation, where, as of the Petition Date, $300,000 in donor funds are being held on behalf of the Wound Care Endowment, which such funds were specifically raised for, and are restricted for research and education in wound healing and regenerative medicine. As Permanent Donor Restricted Funds, the Wound Care Endowment funds are not subject to the DIP Liens. Temporarily Restricted Funds are subject to the DIP Liens and the Prepetition Replacement Liens only in the event they are determined not to be donor restricted funds.

8. By separate stipulation, the Debtors and the Attorney General have agreed to provide the parties with a 90 day period for examination of the Temporarily Restricted Funds to determine whether they are properly considered donor restricted funds within the meaning the DIP Credit Agreement and California law. The Debtors' determination will be subject to challenge by the parties in interest in this Case.

III. <u>Postpetition Employee Related Issues under the Budget.</u>

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9. As explained in the First Day Declaration of Rich Adcock, the Debtors have consistently lost money for many years due to, among other things, unfavorable payor contracts and burdensome labor agreements with accelerating pension costs for union and non-union employees. The VHS Hospitals also are dramatically under invested in structural improvements necessary to meet California's state mandated seismic and clean energy requirements. The combined effect of these issues has resulted in a consistent decline in operating cash balances absent additional financing.

10. The Initial Agreed Budget and its updates are a cornerstone of the contractual relationship between Ally Bank and the Debtors. It provides for the Debtors' best current estimate of the amount and timing of expenditures needed to operate the Cases and maximize the value of the estates for the benefit of creditor. In response to concerns raised by the Committee, the Initial Agreed Budget has now been modified from the version approved by the Court.

11. No change will be made in the Revised Initial Budget to reflect payment of prepetition pension contributions for any defined benefit plans. Although the Service Employees International Union, United Healthcare Workers-West ("***SEIU***"), United Nurses Association of California ("***UNAC***") and Retirement Plan for Hospitals Employees ("***RPHE***") have objected to the Debtors' failure to make pension contributions allegedly required by their respective collective bargaining agreements, all postpetition benefit service accrual funding and PBGC premium payments for continuing service accruals in fact are provided for in the Initial Agreed Budget. The DIP Budget does not include contributions that prepetition had been scheduled to be made on account of (a) prepetition benefit accruals, (b) PBGC premiums on account of prepetition service, or (c) make up contributions designed to reduce prepetition underfunding in the Debtors defined benefit plans.

12. The Initial Agreed Budget does not and the Revised Initial Budget will not include expenditures for postpetition defined benefit accruals for active employees under the Verity Retirement Plan A, and the RPHE Plan as determined by the Debtors' actuarial consultants. *See* Declaration of Carlos De La Parra In Support of Debtors' Omnibus Response to Objections to Motion to Pay Employee Wages and Salaries (the "***De La Parra Decl.***") attached as Exhibit 1 to

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Debtors' Omnibus Response to Objections to Motion to Pay Employee Wages and Salaries (the "***Wage Motion Response***"), each of which is filed contemporaneously herewith [Related Docket Nos. 22, 75, 213, 214, 215, & 223]. However, wherever negotiated benefit plan contributions are monthly and measured exclusively by the number of employees working for a given month, as is the case with Local 39, Operating Engineers Health and Welfare Trust Fund, and with respect to postpetition accruals for unfrozen CNA represented employees, the Debtors have treated such anticipated monthly contributions as expenses of administration and they are included in the Interim Agreed Budget.

13. The SEIU employees and retirees are covered by the Verity Health System Retirement Plan A. Contributions for postpetition pension benefit accruals for employees represented by the SEIU are provided for in the Interim Agreed Budget in the amounts and timing indicated by Mr. De La Parra. *See*, Exhibit 1 to the De La Para Decl. Neither the Interim Agreed Budget nor the Revised Interim Budget provides for use of the DIP Facility to fund either prepetition benefit accruals or prepetition pension plan underfunding.

14. The California Nurses Association ("***CNA***") represents employees who are participants in the RPHE. Contributions for postpetition pension benefit accruals for employees represented by the CNA are provided for in the Initial Agreed Budget in the amounts indicated by Mr. De La Parra and in the schedule attached as Exhibit 1 to the De La Para Decl. The Interim Agreed Budget does not and the Revised Initial Budget will not provide for use of the DIP Facility to fund either prepetition benefit accruals or prepetition pension plan underfunding with respect to the RPHE and CNA represented employees.

15. The UNAC are also participants in the RPHE. Contributions for postpetition pension benefit accruals for employees represented by the UNAC are provided for in the Interim Agreed Budget in the amounts indicated for the RPHE plan on Exhibit 1 to the De La Para Decl. The Initial Agreed Budget does not and the Revised Initial Budget will not provide for use of the DIP Facility to fund either prepetition benefit accruals or prepetition pension plan underfunding with respect to the RPHE and UNAC represented employees.

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16. Absent granting continued access to the Debtors' cash collateral, the Debtors will not be able to meet all of the obligations critical to the maintenance of safe facilities and the delivery of effective acute care services for its patients during the course of the Debtors' Cases. Absent emergency access to postpetition financing, the Debtors also will lose vendor support for critical postpetition deliveries of goods and services, further burdening the Debtors use of cash. Absent entry of a final order granting the requested relief, the very existence of the Hospitals will be threatened and the ability of the Hospitals to survive as going concerns, whether or not owned by the Debtors, will be irreparably harmed.

17. In addition, the Debtors continue to have needs for access to debtor in possession financing over the next 11 months. The Debtors have substantial trade payables consistent with the operations of a large organization that receives substantial trade support in the form of traditional credit terms. Many creditors have threatened to cease doing business with the Debtors creating continuous supply disruptions with respect to goods and services. While the length of terms has begun to shorten as the trade balances grow, and many vendors have simply cut off unsecured trade credit to the Debtors, I continue believe, after consultation with financial and capital markets advisers from the Berkley Research Group ("***BRG***") and Cain Brothers, a division of KeyBanc Capital Markets ("***Cain Brothers***"), that with appropriate use of the critical vendor payments the Debtors will regain access to normal or near normal credit terms providing the Debtors have access to substantial liquidity in the form of postpetition financing and such financing can be used to support the critical vendor program.

IV. The Budget

18. As indicated above, the financing requested herein is being requested for up to the lesser period of (a) the first anniversary of the Interim Order approving the DIP Facility or (b) the earlier of (i) the date that is 30 days from entry of the Interim Order, unless a Final Order has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Agent may approve in writing in its sole and absolute discretion), (ii) the date the Court denies entry of the Final Order, or (iii) the date of revocation of the Interim Order or the Final Order, as applicable; (c) the substantial consummation (as defined in § 1101 of the Bankruptcy

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Code and which for purposes hereof shall be no later than the "effective date") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Bankruptcy Court; (d) the consummation of a sale of all or substantially all of the Collateral; (e) the date the Bankruptcy Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (f) the acceleration of the DIP Loans and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Loan Documents (the earliest of such dates, the "***Termination Date***").

19. In my judgment, after consultation with advisers from Cain and BRG, the twelve-month time frame remains the reasonably necessary period of time to reorganize or complete a plan of liquidation. The Initial Agreed Budget approved by the Interim Order will be revised in accordance with the schedule provided in the DIP Credit Agreement ("***Revised Initial Budget***"). The Initial Agreed Budget is reattached hereto as **Exhibit 1**. Changes reflected in the Revised Initial Budget will include higher initial cash receipts, higher restructuring event expenditures due to Prepetition Secured Creditor adequate protection payments and higher fees for chapter 11 professionals, including Committee professionals.

V. Changes in Adequate Protection

20. McKesson has been added to the list of secured creditors for whom adequate protection is proposed. Specifically, the Debtors have proposed to include McKesson in the critical vendor program and to apply those payments as adequate protection reducing the amount of its prepetition claims by the amount of the payments and preserving its valid and perfected prepetition liens and preserving the senior secured nature of its VMF Liens in VMF Collateral (as such terms are defined in the proposed Final Order, which is attached to the DIP Reply as Exhibit 1), subject only to priming by the Carve Out and the DIP Liens.

21. It remains my judgment based upon the current book value of the Debtors' assets (approximately $847 million as of June 30, 2018), that utilizing the services of Cain Brothers as professionals in the healthcare mergers and acquisition space that the realizable value of the prepetition collateral securing the obligations due the Prepetition Secured Lenders, exceeds the

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value of such obligations (approximately $568 million). To preserve the prepetition value of the Debtors' real property and improvements, the Debtors will use DIP Facility in accordance with the Initial Agreed Budget and in the ordinary course to continue to maintain all of the pre-petition real property securing the Debtors' obligations due to the Prepetition Secured Creditors in good repair.

22. In order to clarify McKesson's treatment, the proposed Final Order has been modified to include replacement liens for McKesson to the extent of any Diminution in Value of the VMF Collateral. Paragraph 5(a) of the proposed Final Order now reads as follows:

(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, 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 have the same relative priority, validity, force, extent and effect as the liens that they replace and which shall be junior only to (1) the Carve Out, (2) to the DIP Liens securing the DIP Obligations, (3) any perfected, unavoidable, prepetition 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 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

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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. 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. 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 any Diminution in Value in such VMF Collateral, and shall be senior to the Prepetition Replacement Liens, but junior to the (m) Carve Out, and (n) the DIP Liens.

23. All of the adequate protection and property maintenance expenses undertaken by the Debtors in the ordinary course of business are included in the Initial Agreed Budget. Thus, the DIP Facility, along with the use of cash derived from pre-petition cash collateral, will preserve the Debtors going concern values. In the event one or more Hospitals are sold, I am advised that the Prepetition Replacement Liens, the VMF Replacement Liens and the DIP Liens, will attach to the proceeds such sale providing more generalized protection of the collateral values as of the Petition Date.

24. As a final consideration of the adequacy of the Debtors protection proposal, based upon my experience and training as an operating finance professional, informed by the judgment of James Moloney from Cain Brothers as a healthcare industry investment adviser, I believe, based upon current book value of the Obligated Group assets of approximately $709 million, excluding related party receivables, that the realizable value of such assets exceeds the prepetition value of the secured Obligated Group liabilities of approximately $501 million. I also believe,

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based upon the current book value of the non-Obligated Group assets of $144 million, excluding related party receivables, that the realizable value of such assets exceeds the prepetition value of the secured non-Obligated Group liabilities of $66 million under the MOB Financings. Indeed, the book value, of the assets are respectively more than 20% above (a) the combined outstanding 2005 Bonds and Working Capital Notes and (b) the MOB Financings. My views are further informed by the confident expression of realizable value by Cain Brothers, as the Debtors' investment advisors. *See* Declaration of James Moloney filed in connection with the DIP Reply and in further support of the DIP Motion.

VI. Other Proposed Changes in Final Order

25. In response to requests for clarification, the Debtors have made additional changes to the proposed Final Order to clarify the role of the Intercreditor Agreement, dated December 1, 2017, attached to the Renewed Reservation of Rights of U.S. Bank National Association, as Series 2015 Note Trustee and Series 2017 Note Trustee to the DIP Motion [Docket No. 219].

26. In response to issues raised by the Committee, the Debtors have proposed numerous changes to the proposed Final Order, including (a) increasing the Carve Out amount for the Committee to $150,000, (b) increasing the Investigation Budget to $100,000, (c) providing for two (2) business days prior to effective date notice of any changes to the Budget or the Initial Budget to counsel for the Committee as well counsel for each of the Prepetition Secured Creditors.

27. In response to issues raised by Aetna Life Insurance Company, to the extent Verity Holdings LLC is a net postpetition creditor of another Debtor, and Verity Holdings' assets have been used to satisfy either the DIP Liens or Prepetition Replacement Liens, Verity Holdings shall be given a superpriority expense of administration claim against the net postpetition Debtor.

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I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Executed this 26th of September 2018, at Los Angeles, California.

Anita M. Chou

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EXHIBIT 1

EXHIBIT 1

Case 2:18-bk-20151-ER Doc 32-2 Filed 08/31/18 Entered 08/31/18 23:06:02 Desc Exhibit 2 Page 2 of 2
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Verity Health

Exhibit 2

$ in 000's

Weeks / Actuals / Week Ending	1 Projected 9/8/2018	2 Projected 9/15/2018	3 Projected 9/22/2018	4 Projected 9/29/2018	5 Projected 10/6/2018	6 Projected 10/13/2018	7 Projected 10/20/2018	8 Projected 10/27/2018	9 Projected 11/3/2018	10 Projected 11/10/2018	11 Projected 11/17/2018	12 Projected 11/24/2018	13 Projected 12/1/2018	13-Week Totals Projected
Cash Inflows														
Patient Revenue	16,337	21,010	20,421	21,010	17,291	17,880	17,291	17,880	17,858	19,296	18,707	15,554	18,707	239,242
Capitation Premium	-	2,148	8,591	2,148	-	2,148	8,591	2,148	-	2,148	8,591	2,148	-	38,661
QAF / DSH / Trauma	-	9,059	-	-	-	-	-	5,025	-	-	-	-	-	14,084
Other Operating Receipts	297	146	24	780	297	146	24	132	944	146	24	132	944	4,033
Subtotal: Cash Inflows	**16,633**	**32,362**	**29,036**	**23,937**	**17,588**	**20,173**	**25,907**	**25,185**	**18,802**	**21,589**	**27,322**	**17,834**	**19,651**	**296,020**
Operating Cash Outflows														
Operating Expenses	(26,300)	(30,260)	(29,107)	(27,239)	(24,371)	(32,572)	(25,764)	(24,824)	(29,368)	(26,122)	(29,510)	(28,122)	(27,633)	$ (361,193)
Critical Vendor Pre-Petition Relief	-	-	(2,500)	(2,500)	(2,500)	(5,000)	(5,000)	(2,500)	-	-	-	-	-	(20,000)
Capex	(200)	(313)	(313)	(2,047)	(200)	(200)	(200)	(200)	(2,047)	(200)	(200)	(200)	(2,047)	(8,367)
Adequate Protection Debt Service	(372)	-	-	(2,522)	-	(377)	-	(1,226)	(1,295)	(382)	-	(1,226)	(1,295)	(8,695)
DIP Debt Service	(2,313)	-	-	(160)	-	-	-	-	(329)	-	-	-	(473)	(3,274)
Professional Fees - Restructuring	(705)	(303)	(360)	-	(2,928)	(225)	-	-	(1,540)	-	-	-	(1,889)	(7,950)
Restructuring Events	-	-	-	-	-	512	512	387	42	24	1,024	1,024	774	4,299
Subtotal: Cash Outflows	**(29,889)**	**(30,876)**	**(32,279)**	**(34,467)**	**(29,998)**	**(37,862)**	**(30,453)**	**(28,363)**	**(34,538)**	**(26,680)**	**(28,686)**	**(28,525)**	**(32,565)**	**(405,180)**
Net Cash Flow	**(13,256)**	**1,487**	**(3,243)**	**(10,530)**	**(12,410)**	**(17,689)**	**(4,546)**	**(3,178)**	**(15,736)**	**(5,091)**	**(1,364)**	**(10,690)**	**(12,914)**	**(109,160)**
Total Cash, Beginning	$ 32,404	$ 49,148	$ 40,772	$ 30,993	$ 19,673	$ 19,985	$ 19,985	$ 19,985	$ 19,985	$ 19,985	$ 19,985	$ 19,985	$ 19,985	$ 32,404
Net Cash Flow	(13,256)	1,487	(3,243)	(10,530)	(12,410)	(17,689)	(4,546)	(3,178)	(15,736)	(5,091)	(1,364)	(10,690)	(12,914)	(109,160)
DIP Financing Proceeds/ (Paydown)	30,000	(9,862)	(6,536)	(790)	12,722	17,689	4,546	3,178	15,736	5,091	1,364	10,690	12,914	96,741
Total Cash Balance, Ending	**49,148**	**40,772**	**30,993**	**19,673**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**
DIP Revolver Loan Balance														
Beginning Balance	-	30,000	20,138	13,601	12,812	25,533	43,222	47,768	50,946	66,682	71,773	73,137	83,827	-
DIP Financing Proceeds/ (Paydown)	30,000	(9,862)	(6,536)	(790)	12,722	17,689	4,546	3,178	15,736	5,091	1,364	10,690	12,914	96,741
Ending Balance	**30,000**	**20,138**	**13,601**	**12,812**	**25,533**	**43,222**	**47,768**	**50,946**	**66,682**	**71,773**	**73,137**	**83,827**	**96,741**	**96,741**
Asset Sales														
Asset Sale Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Balance, w / DIP & Asset Sales	**49,148**	**40,772**	**30,993**	**19,673**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**	**19,985**

Notes

1) Cash balances are net of outstanding checks

EXHIBIT 2

EXHIBIT 2

Execution Version

DEBTOR IN POSSESSION REVOLVING CREDIT AGREEMENT

Dated as of September 7, 2018

by and among

VERITY HEALTH SYSTEM OF CALIFORNIA, INC. AND EACH OF THE OTHER PERSONS SIGNATORY HERETO AS BORROWERS,

THE OTHER PERSONS PARTY HERETO THAT ARE DESIGNATED AS CREDIT PARTIES,

ALLY BANK,
for itself as a Lender and as Administrative Agent for all Lenders,

and

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO AS LENDERS

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Exhibit A Form of Borrowing Base Certificate
Exhibit B Form of Compliance Certificate
Exhibit C Form of Revolving Note
Exhibit D Form of Loan Notice
Exhibit E Form of Assignment Agreement
Exhibit F Initial Cash Flow Forecast

DEBTOR IN POSSESSION REVOLVING CREDIT AGREEMENT

THIS DEBTOR IN POSSESSION REVOLVING CREDIT AGREEMENT is dated as of September 7, 2018 (as the same may be amended, restated, supplemented or otherwise modified from time to time, this "***Agreement***") by and among each of the Persons signatory hereto and named on Schedule 1 hereto as a Borrower (each a "***Borrower***" and, collectively, the "***Borrowers***"), each of the Persons signatory hereto and named on Schedule 1 hereto as a Guarantor, the financial institutions from time to time party hereto as lenders (each, a "***Lender***" and collectively the "***Lenders***") and ALLY BANK, a Utah state chartered bank ("***Ally Bank***"), in its capacity as administrative agent for Lenders (together with its successors and assigns, the "***Administrative Agent***"), documentation agent and joint bookrunner.

RECITALS

A. On August 31, 2018 (the "***Petition Date***"), each Borrower filed a separate voluntary petition for relief under chapter 11 of the Bankruptcy Code (defined below) in the United States Bankruptcy Court for the Central District of California (the "***Bankruptcy Court***") and is continuing to operate its respective businesses and manage its properties as a debtor and debtor in possession under sections 1107 and 1109 of the Bankruptcy Code.

B. Borrowers have requested that Lenders provide financing to Borrowers in the form of a revolving loan in the maximum aggregate amount of $185,000,000 subject to the terms set forth herein, in the Financing Orders and pursuant to sections 364(c)(1), 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code, the proceeds of which will be used solely for (i) payment of all fees and expenses due to Administrative Agent and Lenders pursuant to this Agreement, (ii) financing ongoing debtor in possession working capital needs, maintenance and preservation of Borrowers' assets, general corporate purposes relating to postpetition operations and related costs, fees and expenses of the Bankruptcy Cases, (iii) payment of the administration expenses of the Bankruptcy Cases as approved by the Bankruptcy Court, (iv) to make adequate protection payments to the Specified Prepetition Secured Creditors and (v) to pay Daly City, California special tax assessments, for the benefit of Wilmington Trust National Association, as Trustee (the "***PACE Bond Trustee***") for the California Statewide Communities Development Authority for the CaliforniaFirst Clean Program and CaliforniaFirst Seismic Program ("***PACE***") Bonds.

C. Lenders have agreed to provide a revolving loan to Borrowers pursuant to sections 364(c)(1), 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code on the terms and conditions of this Agreement and in the Financing Orders so long as such postpetition credit obligations are secured by Liens granted, or purported to be granted, by Borrowers pursuant to this Agreement and the other Loan Documents and given super-priority status as provided in the Financing Orders.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Borrowers, Lenders and the Administrative Agent agree as follows:

ARTICLE 1 DEFINITIONS; PRINCIPLES OF CONSTRUCTION

1.1 Specific Definitions. The following terms have the meanings set forth below:

"***Account(s)***": (i) any right to payment of a monetary obligation, whether or not earned by performance, (ii) without duplication, any "account" (as defined in Article 9 of the UCC), any accounts receivable (whether in the form of payments for services rendered or goods sold, rents, license fees or otherwise), any Health-Care-Insurance Receivables (as defined in the UCC), any Payment Intangibles (as defined in the UCC) and all other rights to payment and/or reimbursement of every kind and description, whether or not earned by performance, (iii) all accounts, General Intangibles (as defined in the UCC), Intellectual Property, rights, remedies, guarantees, Supporting Obligations (as defined in the UCC), Letter-of-Credit Rights (as defined in the UCC) and security interests in respect of the foregoing, all rights of enforcement and collection, all books and records evidencing or related to the foregoing, and all rights under the Loan Documents in respect of the foregoing, (iv) all information and data compiled or derived by any Credit Party or to which any Credit Party is entitled in respect of or related to the foregoing, and (v) all Proceeds (as defined in the UCC) of any of the foregoing. For the avoidance of doubt, "Account" shall include any account receivable, Payment Intangible and/or right to payment and/or reimbursement of every kind and description, whether or not earned by performance arising under any QAF Program.

"***Account Debtor***": any Person obligated on any Account.

"***ACH***": the Automated Clearing House or any successor reasonably acceptable to Lender.

"***Administrative Agent***": the meaning set forth in the preamble to this Agreement.

"***Administrative Agent's Account***": the following deposit account of Administrative Agent:

JPMorgan Chase Bank, N.A.
New York, New York

Wire ABA No.:	021-000-021
ACH ABA No.:	072-000-326
Account Name:	Ally Bank
Account No.:	361-324-984
Attention:	Loan Operations
Reference:	Verity Health System

"***Affiliate***": as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person or is a director or officer of such Person or of an Affiliate of such Person.

"***Agreement***": the meaning set forth in the preamble to this Agreement.

"***Allowed Fees***": in each case with respect to the Bankruptcy Cases, fees and reimbursement for distributions of professionals retained by the Borrowers and/or a statutory committee of unsecured creditors allowed or otherwise payable pursuant to an order of the Bankruptcy Court, including, without limitation, pursuant to monthly fee statements, that has not been vacated, stayed, appealed or objected to by Administrative Agent, under sections 327, 328 or 1103 of the Bankruptcy Code.

"***Ally Bank***": the meaning set forth in the preamble to this Agreement.

"***Anti-Terrorism Laws***": any Laws relating to terrorism or money laundering, including, without limitation, Executive Order No. 13224 (effective September 24, 2001), the USA PATRIOT Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by OFAC.

"***Applicable Law***": all Laws applicable to any Credit Party or any other Person, or any conduct, transaction, agreement or matter in question, including all applicable statutory law, common law and equitable principles, and all provisions of constitutions, treaties, statutes, rules, regulations, orders and decrees of Governmental Authorities.

"***Applicable LIBOR Margin***": 4.5% per annum.

"***Approved Cash Management Obligations***": any obligations to Administrative Agent, any Lender or any Affiliate of any of the foregoing pursuant to any Cash Management Agreement of which (a) if such cash management obligations were established prior to the date of this Agreement, the Lender or its Affiliate has provided written notice to Administrative Agent executed by an authorized signatory of such Lender disclosing the existence of such Cash Management Agreement and the maximum liability of Borrowers or (b) if such Cash Management Agreement is established following the date of this Agreement, then (i) such Lender or its Affiliate (which in no case may be a Defaulting Lender) shall have provided written notice to Administrative Agent executed by an authorized signatory of such Lender disclosing the existence of such Cash Management Agreement and the maximum liability of Borrowers thereunder and (b) as of the date of delivery of such notice to Administrative Agent, no Event of Default shall have occurred and be continuing. In all events, the Approved Cash Management Obligations shall not exceed the maximum liability so disclosed in the notice to Administrative Agent.

"***Asset Disposition***": a sale, lease, license, consignment, transfer or other disposition of any property or assets of any Credit Party, including a disposition in connection with a sale-leaseback transaction or synthetic lease.

"***Asset Purchase Agreement(s)***": each Asset Purchase Agreement entered into with respect to the purchase of substantially all of the assets of any Borrower, including any Healthcare Facility, in a "363 sale" pursuant to Section 363 of the Bankruptcy Code.

"***Asset Sale***": the sale of all or some portion of the assets of a Borrower pursuant to an Asset Purchase Agreement approved by the Bankruptcy Court in an Asset Sale Order pursuant to Section 363 of the Bankruptcy Code.

"***Asset Sale Bid Procedures Order***": each order of the Bankruptcy Court, in form and substance satisfactory to Administrative Agent, approving applicable sale and bid procedures for each respective Asset Sale.

"***Asset Sale Documents***": collectively, the Asset Sale Purchase Agreements, Asset Sale Motions, Asset Sale Orders, Asset Sale Bid Procedures Orders and any and all other agreements, documents and certificates executed and delivered in connection therewith.

"***Asset Sale Motions***": each motion, in form and substance satisfactory to Administrative Agent, filed in the Bankruptcy Cases seeking entry of an order by the Bankruptcy Court approving the applicable Asset Sale, procedures for such Asset Sale, and the form of the applicable Asset Purchase Agreement.

"***Asset Sale Orders***": each order of the Bankruptcy Court, in form and substance satisfactory to Administrative Agent, approving each applicable Asset Sale and distribution of proceeds to Administrative Agent.

"***Assignee***": the meaning set forth in Section 10.1(b).

"***Assignment Agreement***": an Assignment and Assumption Agreement substantially in the form attached hereto as Exhibit E, with such amendments or modifications as may be approved by the Administrative Agent.

"***Authorized Officer***": the chief executive officer, president, chief financial officer, chief operating officer, or treasurer of a Credit Party authorized to bind such Credit Party and, solely for purposes of notices given pursuant to Article 2, any other officer or employee of the applicable Credit Party so designated by any of the foregoing officers in a written notice to Administrative Agent. Any document delivered hereunder that is signed by an Authorized Officer of a Credit Party shall be conclusively presumed to have been authorized by all necessary corporate, limited liability company, partnership and/or other action on the part of such Credit Party and such Authorized Officer shall be conclusively presumed to have acted on behalf of such Credit Party.

"***Availability***": the meaning set forth in Section 2.1(a).

"***Availability Period***": the period from and including the Closing Date to the earliest of (a) the Revolving Loan Termination Date, and (b) the date of termination of the commitment of Lenders to make Loans pursuant to Section 9.2.

"***Bail-In Action***": the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"***Bail-In Legislation***": with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"***Bankruptcy Cases***": In re: Verity Health System of California, Inc., et al., (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; and Case No.: 2:18-bk-20181-ER, in each case pending before the Bankruptcy Court.

"***Bankruptcy Code***": Title 11 of the United States Code entitled "Bankruptcy", as now or hereinafter in effect, or any successor statute.

"***Bankruptcy Court***": the meaning specified therefor in the recitals to this Agreement.

"***Base Rate***": with respect to each Reset Date, a rate per annum equal to the greatest of (i) the rate of interest from time to time published by the Board of Governors of the Federal Reserve System as the "Bank Prime Loan" rate in Federal Reserve Statistical Release H.15(519) entitled "Selected Interest Rates" or any successor publication of the Federal Reserve System reporting the Bank Prime Loan rate or its equivalent, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of one percent (0.5%),

and (iii) the LIBOR Rate plus 1.0%. Any change in the Base Rate due to a change in any of the rates described in the immediately preceding sentence shall become effective immediately upon the next succeeding Reset Date.

"***Blocked Person***": any Person: (a) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (b) owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (c) with which Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (d) that commits, threatens or conspires to commit or supports "terrorism" as defined in Executive Order No. 13224, or (e) that is named a "specially designated national" or "blocked person" on the most current list published by OFAC or other similar list or is named as a "listed person" or "listed entity" on other lists made under any Anti-Terrorism Law.

"***Borrower Operating Account***": the following deposit account of Borrower Representative:

Bank Name:
Bank Address:
ABA No.:
Account Name:
Account No.:
Reference:

"***Borrower Representative***": VHS.

"***Borrowing Base***": as of any date of determination (as calculated with reference to the most recent Borrowing Base Certificate acceptable to Administrative Agent and otherwise in accordance with this Agreement), an amount equal to the sum of:

(a) eighty-five percent (85%) of the Net Collectable Value of the Eligible Accounts; plus

(b) sixty percent (60%) of the sum of (x) the Eligible QAF Accounts, minus (y) the corresponding QAF Required Payments (provided, however, availability under this clause (b) shall be $0 if (i) the Borrowers have failed to file with the Bankruptcy Court within thirty (30) days following the Petition Date either (A) the Saint Louise/O'Connor Hospital Bid Procedures Motion, or (B) the Consolidated Sale Motion, in each case unless and until either the Saint Louise/O'Connor Hospital Bid Procedures Motion or the Consolidated Sale Motion is thereafter filed with the Bankruptcy Court within 60 days following the Petition Date, or (ii) the Borrowers have failed to present to the Administrative Agent the Seton Cash Burn Elimination Plan within sixty (60) days following the Petition Date); plus

(c) ninety-five percent (95%) of the amounts held in the Escrow Deposit Account; plus

(d) Ten Million Dollars ($10,000,000) (provided, however, availability under this clause (d) shall be $0 if (i) the Borrowers have failed to file with the Bankruptcy Court within thirty (30) days following the Petition Date either (A) the Saint Louise/O'Connor Hospital Bid Procedures Motion, or (B) the Consolidated Sale Motion, in each case unless and until either the Saint Louise/O'Connor Hospital Bid Procedures Motion or the Consolidated Sale Motion is thereafter filed with the Bankruptcy Court within 60 days following the Petition Date, or (ii) the Borrowers have failed to present to the Administrative Agent the Seton Cash Burn Elimination Plan within sixty (60) days following the Petition Date); minus

(e) such reserves (including a reserve with respect to the Carve-Out Reserve and the Minimum Liquidity required pursuant to Section 7.2), in such amounts and with respect to such matters, as Administrative Agent may deem reasonably necessary from time to time.

"***Borrowing Base Certificate***": a certificate to be delivered by Borrower Representative setting forth a calculation of the Borrowing Base as of the date of such certificate, which certificate shall be substantially in the form of Exhibit A.

"***Budget***": the Initial Budget, together with the updates thereto in form and substance satisfactory to Administrative Agent in its sole discretion, delivered to Administrative Agent and the Lenders pursuant to Section 8.4(b).

"***Business Day***": any day other than a Saturday, Sunday or any day on which commercial banks in New York, New York are authorized or required to close by law or executive order.

"***Buyer***": any purchaser of any Borrower's assets pursuant to the applicable Asset Purchase Agreement and the applicable Asset Sale Order.

"***Capitalized Lease Obligations***": any Indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

"***Carve-Out***": the meaning set forth in the Financing Orders.

"***Carve-Out Reserve***": a reserve against the Borrowing Base in an amount equal to the amount of the Carve-Out, which may be increased or decreased from time to time in Administrative Agent's sole discretion.

"***Cash Equivalents***": (i) readily marketable obligations issued or fully guaranteed by the United States of America or any agency thereof having maturities of not more than twelve (12) months from the date of acquisition thereof, (ii) commercial paper with maturities of not more than 180 days and a published rating of the highest rating attainable by a Rating Agency, (iii) certificates of time deposit and bankers' acceptances having maturities of not more than 180 days and repurchase agreements backed by United States government securities, in each case of a commercial bank if (A) such bank has a combined capital and surplus of at least $500,000,000, or (B) such bank's debt obligations, or those of a holding company of which it is a Subsidiary, are rated not less than Aa (or the equivalent rating) by a Rating Agency, and (iv) U.S. money market funds that invest solely in obligations issued or fully guaranteed by the United States of America or an agency thereof.

"***Cash Flow Forecast***": the Initial Cash Flow Forecast, together with the updates thereto in form and substance satisfactory to Administrative Agent in its sole discretion, delivered to Administrative Agent and the Lenders pursuant to Section 8.4(b).

"***Cash Management Agreements***": any and all cash management, overdraft, treasury, foreign exchange, lockbox, sweep-to-line, controlled disbursement, credit or debit card, EFT, ACH and other agreements entered into from time to time between any Credit Party and Administrative Agent or any Lender or any Lender Affiliate.

"***Cash Management Order***": the order of the Bankruptcy Court entered in the Bankruptcy Cases after the "first day" hearing, together with all extensions, modifications and amendments thereto or any "second day" order, in form and substance satisfactory to the Administrative

Agent, which among other matters authorizes such cash management and treasury arrangements as shall be acceptable to the Administrative Agent.

"***CCP***": the meaning set forth in Section 4.22(g).

"***Change in Law***": the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority or (c) compliance by Administrative Agent or any Lender with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided, however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder or issued in connection therewith or in implementation thereof and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

"***Change of Control***": (i) the result caused by the occurrence of any event or series of events which results in VHS owning (beneficially, legally or otherwise), in the aggregate, less than one hundred percent (100%) of any class of the issued and outstanding Equity Interests of any other Borrower, (ii) the pledge, hypothecation or encumbrance of any direct or indirect Equity Interests in any Credit Party, (iii) Rich Adcock ceases for any reason to be the Chief Executive Officer of VHS or to otherwise be involved in the day to day operation of VHS and each Borrower.

"***Closing***": the meaning set forth in Section 3.1.

"***Closing Date***": the date of the making of the initial Revolving Loan (or other extension of credit) hereunder.

"***CMS***": the Centers for Medicare & Medicaid Services or any Governmental Authority succeeding to any of its principal functions.

"***Code***": the Internal Revenue Code of 1986, as amended and as it may be further amended from time to time, any successor statutes thereto, and applicable U.S. Department of Treasury regulations issued pursuant thereto in temporary or final form.

"***Collateral***": any and all assets and rights and interests in or to property, whether real or personal, tangible or intangible, now or hereafter acquired, in which a Lien is granted or purported to be granted pursuant to the Collateral Documents as security for all or any portion of the Obligations.

"***Collateral Access Agreement***": an agreement, satisfactory in form and substance to Administrative Agent in its reasonable credit judgment, by which (a) for any material Collateral located on leased premises, the lessor waives or subordinates any Lien it may have on the Collateral, and agrees to permit Administrative Agent to enter upon the premises and remove the Collateral or to use the premises to store or dispose of the Collateral; (b) for any Collateral held by a warehouseman, processor, shipper or freight forwarder, such Person waives or subordinates any Lien it may have on the Collateral, agrees to hold any Documents in its possession relating to the Collateral as agent for Administrative Agent, and agrees to deliver the Collateral to Administrative Agent upon request; (c) for any Collateral held by a repairman, mechanic or bailee, such Person acknowledges Administrative Agent's Lien, waives or subordinates any Lien it may have on the Collateral, and agrees to deliver the Collateral to

Administrative Agent upon request; and (d) for any Collateral subject to a Licensor's Intellectual Property rights, the Licensor grants to Administrative Agent the right, vis-à-vis such Licensor, to enforce Administrative Agent's Liens with respect to the Collateral, including the right to dispose of it with the benefit of the Intellectual Property, whether or not a default exists under any applicable License.

"***Collateral Assignment of Material Agreements***": each collateral assignment of material agreements executed by any Borrower or any other Credit Party in favor of Administrative Agent (for the benefit of itself and the Lenders) satisfactory in form and substance to Administrative Agent, as the same may be amended, restated or otherwise modified from time to time.

"***Collateral Documents***": all agreements, instruments and documents now or hereafter executed and delivered in connection with this Agreement that are intended to create, perfect or evidence Liens in Collateral to Administrative Agent for the benefit of Lenders to secure all or part of the Obligations each in form and substance satisfactory to Administrative Agent, including the Security Agreement, the Pledge Agreement, any Collateral Access Agreements, the Subordination Agreements, the Collateral Assignment of Material Agreements, each deposit account control agreement, the Mortgages and the Financing Order.

"***Collections***": with respect to any Account, all cash collections on such Account.

"***Compliance Certificate***": a certificate executed by an Authorized Officer of Borrower Representative with respect to the compliance by the Borrowers and the other Credit Parties with the terms, conditions and covenants set forth in this Agreement as of the date of such certificate, which certificate shall be substantially in the form of Exhibit B.

"***CON***": a written statement issued by any state authority authorizing a new health facility at a particular location or within a certain geographic region.

"***Concentration Account***" shall have the meaning set forth in Section 2.4(a).

"***Confirmation Date***": the date on which the Confirmation Order is entered in the docket on the Bankruptcy Court.

"***Confirmation Order***": an order of the Bankruptcy Court, in form and substance satisfactory to Administrative Agent, confirming the Plan of Reorganization.

"***Connection Income Taxes***": Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"***Consolidated Sale Motion***": a motion for approval of a negotiated asset sale on terms satisfactory to Administrative Agent executed by a Person that is not an Affiliate of a Borrower for substantially all assets of the Borrowers with expected consideration in the form of cash or assumption of prepetition secured Indebtedness in an amount not less than $700,000,000 and the simultaneous payment in full of the Obligations and termination of all the Revolving Commitments.

"***Contingent Obligation***": as to any Person, any obligation of such Person guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse) any Indebtedness of any other Person, or the granting of a Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guarantied or otherwise supported or, if not a fixed and determined amount, the maximum reasonably anticipated net liability in respect thereof

(assuming such Person is required to perform thereunder) as determined by the guaranteeing Person in good faith.

"***Contract Provider***": any Person or any employee, agent or subcontractor of such Person who provides professional health care services under or pursuant to any contract or other arrangement with any Credit Party.

"***Contractual Obligation***": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"***Control***": with respect to any Person, either (i) ownership directly or indirectly of more than 50% of all Equity Interests in such Person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract or otherwise.

"***Credit Party***": each Borrower and each Guarantor.

"***Debtor Relief Laws***": the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws from time to time in effect and affecting the rights of creditors generally.

"***Default***": the occurrence of any event, fact or circumstance which, with the giving of notice or passage of time, or both, would be an Event of Default.

"***Default Rate***": at any time, a rate per annum equal to the lesser of (i) the maximum rate permitted by Applicable Law, or (ii) the per annum effective rate of interest otherwise applicable at such time to the Revolving Loans plus an additional five percent (5%).

"***Defaulting Lender***": subject to Section 12.15(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within one (1) Business Day of the date such Loans were required to be funded hereunder unless such Lender notifies Administrative Agent and Borrowers in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to Administrative Agent, Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Swingline Loans) within one (1) Business Day of the date when due, (b) has notified Borrowers, Administrative Agent or Swingline Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within two (2) Business Days after written request by Administrative Agent or Borrowers, to confirm in writing to Administrative Agent and Borrowers that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by Administrative Agent and Borrowers), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance

Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 12.15(b)) upon delivery of written notice of such determination to Borrowers, Swingline Lender and each other Lender.

"***Deposit Account Bank***": the meaning set forth in Section 2.4(a).

"***Derivative Obligations***": every obligation of a Person under any forward contract, futures contract, exchange contract, swap, option or other financing agreement or arrangement (including caps, floors, collars and similar agreement), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices.

"***Distributions***": any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Borrower or any other Credit Party, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest or on account of any return of capital to any Borrower's or any other Credit Party's stockholders, partners or members (or the equivalent Person thereof).

"***Documents***": any and all of the "documents" (as that term is defined in the UCC), whether now existing or hereafter arising.

"***Dollars***" and "***$***": lawful money of the United States.

"***EEA Financial Institution***": (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"***EEA Member Country***": any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"***EEA Resolution Authority***": any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"***Eligible Account***": subject to the criteria below, an Account of any Borrower that was generated in the ordinary course of such Borrower's business and consistent with past practices which was generated originally in the name of such Borrower and not acquired via assignment or otherwise, and that Administrative Agent, in its reasonable credit judgment, deems to be an Eligible Account. The net amount of Eligible Accounts at any time shall be (a) the face amount of such Eligible Accounts as

originally billed minus (b) all cash collections and other proceeds of such Account received from or on behalf of the Account Debtor thereunder as of such date and any and all returns, rebates, discounts (which may, at Administrative Agent's option, be calculated on shortest terms), credits, allowances or excise taxes of any nature at any time issued, owing, claimed by Account Debtors, granted, outstanding or payable in connection with such Accounts at such time. Without limiting the generality of the foregoing, no Account shall be an Eligible Account if:

(a) the Account or any portion of the Account is payable by a Person other than a Third-Party Payor;

(b) the Account is an obligation of an Account Debtor that has suspended business, made a general assignment for the benefit of creditors, is unable to pay its debts as they become due or is subject to an Insolvency Proceeding, or the Account is an Account as to which any facts, events or occurrences exist which could reasonably be expected to impair the validity, enforceability or collectability of such Account or reduce the amount payable or delay payment thereunder;

(c) the Account Debtor is a natural person (i.e. an individual), or an Affiliate of any Borrower;

(d) any representation and warranty contained in any Loan Document with respect to such Account is not true and correct;

(e) the Account remains unpaid more than one hundred and eighty (180) days past the applicable discharge date;

(f) more than fifty percent (50%) of the net aggregate balance of all Accounts owing from the Account Debtor (and its Affiliates but not including any Government Account Debtor making payments under Medicare or Medicaid) obligated on the Account are outstanding more than one hundred and eighty (180) days after the applicable discharge date;

(g) without limiting the provisions of clause (f) above, fifty percent (50%) or more of the aggregate unpaid Accounts from the Account Debtor (but not including any Government Account Debtor making payments under a Government Reimbursement Program) obligated on the Account are not deemed Eligible Accounts hereunder for any reason;

(h) to the extent that the Account and all other Accounts owed by any particular Account Debtor and its Affiliates (but not including any Government Account Debtor making payments under a Government Reimbursement Program) exceed twenty percent (20%) of the net amount of all Eligible Accounts (calculated as set forth above) at any one time (including Accounts from any Government Account Debtor making payments under a Government Reimbursement Program);

(i) the Account is subject to any defense, set-off, recoupment, counterclaim, deduction, discount, credit, chargeback, freight claim, allowance, or adjustment of any kind (but such ineligibility shall extend only to the extent of such defense, set-off, recoupment, counterclaim, deduction, discount, credit, chargeback, freight claim, allowance, or adjustment), or the Borrower owning such Account is not able to bring suit or otherwise enforce its remedies against the Account Debtor through administrative or judicial process, as applicable;

(j) the Account involves (i) a workers' compensation claim which is not covered by a Third-Party Payor or (ii) services delivered for injury sustained in a motor vehicle accident, the repayment of which is contingent on litigation;

(k) the applicable Account Debtor for such Account is any Governmental Authority, and, following a written request by Administrative Agent to Borrowers, rights to payment of such Account have not been assigned to Administrative Agent (for the benefit of itself and the Lenders) pursuant to the Federal Assignment of Claims Act, 31 U.S.C. § 3727 et seq. (as amended from time to time), or all other applicable statutes or regulations respecting the assignment of Lockbox Accounts have not been complied with (for example, with respect to all Accounts payable directly by a Government Account Debtor);

(l) if the Account arises from the performance of services, the services have not actually been performed, or the services were undertaken in violation of any Applicable Law;

(m) the Account includes late charges or finance charges (but only such portion of the Account shall be ineligible);

(n) the Account arises out of a cost report settlement or constitutes a disproportionate share hospital payment;

(o) the Account is not subject to a valid and enforceable First Priority Lien in favor of Administrative Agent (for the benefit of itself and the Lenders);

(p) the Account is not evidenced by an invoice, statement or other documentary evidence satisfactory to Administrative Agent; provided, however, that Eligible Unbilled Accounts in an aggregate amount not to exceed twelve and one half percent (12.5%) of Availability at any time may constitute Eligible Accounts notwithstanding that such Accounts have not been billed to the applicable Account Debtor as described in this clause (p);

(q) the Account (or the right to payment on or proceeds of such Account) has been sold or otherwise disposed of, or the Account (i) arises from a Healthcare Facility that has been sold or otherwise disposed of and (ii) remains unpaid after the earlier to occur of (x) sixty (60) days past the date the applicable Healthcare Facility was sold or otherwise transferred or (y) forty-five (45) days before the Scheduled Termination Date; or

(r) the Account or Account Debtor fails to meet such other specifications and requirements which may from time to time be established by Administrative Agent in its reasonable credit judgment;

provided, that neither QAF Accounts nor Eligible QAF Accounts shall constitute Eligible Accounts.

"***Eligible QAF Account(s)***": QAF Accounts of a Borrower arising under the QAF Phase V Program constituting fully earned (a) managed care "Cycle 1" receivables expected to be collected by the managed care health plan by April 30, 2019 ("***Cycle 1 Accounts***"), or (b) managed care "Cycle 2" pass-through receivables expected to be collected by the managed care health plan by September 30, 2019 ("***Cycle 2 Accounts***"), the value of which, in each case, shall be at any time the amount of expected estimated payments as reasonably determined by Administrative Agent in accordance with the documentation provided by Borrowers to Administrative Agent. Without limiting the generality of the foregoing, no QAF Account shall be an Eligible Account if: (i) any rights to payment with respect to the QAF Account are held by any Person not a Credit Party and not subject to a Subordination Agreement in form and substance satisfactory to Administrative Agent in its sole discretion, (ii) the QAF Account is not subject to a valid and enforceable First Priority Lien in favor of Administrative Agent; (iii) with respect to Cycle 1 Accounts, the QAF Account has not been received by the Borrowers May 31, 2019, (iv) with

respect to Cycle 2 Accounts, the QAF Account has not been received by the Borrowers by October 31, 2019, or (v) the QAF Account (or the right to payment on or proceeds of such QAF Account) has been sold or otherwise disposed of or arises from a Healthcare Facility that has been sold or otherwise disposed of.

"***Eligible Unbilled Account(s)***": an Account of any Borrower meeting all of the criteria of an Eligible Account except that an invoice, statement or other billing document has not yet been created or sent, provided, that, any such Account will cease to be an Eligible Unbilled Account on the earlier to occur of (i) the date on which such Account becomes evidenced by an invoice, statement or other documentary evidence of any kind, or (ii) the twenty-second (22nd) day following the date on which the applicable patient was discharged.

"***Environmental Laws***": any and all Laws pertaining to the environment, natural resources, pollution, health (including any environmental clean-up statutes and all regulations adopted by any local, state, federal or other Governmental Authority, and any statute, ordinance, code, order, decree, law rule or regulation all of which pertain to or impose liability or standards of conduct concerning medical waste or medical products, equipment or supplies), safety or cleanup that apply to any Credit Party and relate to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. § 9601 *et seq.*), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. § 6901 *et seq.*), the Federal Water Pollution Control Act (33 U.S.C. § 1251 *et seq.*), the Hazardous Materials Transportation Act (49 U.S.C. § 5101 *et seq.*), the Clean Air Act (42 U.S.C. § 7401 *et seq.*), the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. § 136 *et seq.*), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 *et seq.*), the Occupational Safety and Health Act (29 U.S.C. § 651 *et seq.*, to the extent it regulates occupational exposure to Hazardous Materials), the Residential Lead-Based Paint Hazard Reduction Act (42 U.S.C. § 4851 *et seq.*), any analogous state or local laws, any amendments thereto, and the regulations promulgated pursuant to said laws, together with all amendments from time to time to any of the foregoing and judicial interpretations thereof.

"***Environmental Notice***": a notice (whether written or oral) from any Governmental Authority or other Person of any possible material noncompliance with, investigation of a possible material violation of, litigation relating to, or potential fine or liability under any Environmental Law, or with respect to any material Environmental Release, environmental pollution or Hazardous Materials, including any complaint, summons, citation, order, claim, demand or request for correction, remediation or otherwise.

"***Environmental Release***": a release of Hazardous Materials as defined in or under any Environmental Law.

"***Equity Interests***": with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in, including membership interests in) such Person, whether voting or non-voting, and all warrants, options or other rights (regardless of how designated) for the purchase or acquisition from such Person of such shares of capital stock of (or other ownership or profit interests in, including membership interests in or beneficial interest in a trust of) such Person.

"***ERISA***": the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder.

"***ERISA Affiliate***": all members of a controlled group of corporations and all trades and business (whether or not incorporated) under common control and all other entities which, together with

each Borrower and each other Credit Party, are treated as a single employer under any or all of Section 414(b), (c), (m) or (o) of the Code.

"***EU Bail-In Legislation Schedule***": the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"***Event of Default***": the meaning set forth in Section 9.1.

"***Excess Availability***": as of any date of determination, the amount that Borrowers are entitled to borrow as Revolving Loans under Section 2.1 of this Agreement (after giving effect to the Outstanding Amount).

"***Excluded Swap Obligation***": any and all of each Credit Party's Swap Obligations if, and to the extent that, all or a portion of the guarantee of such Credit Party of, or the grant by such Credit Party of a Lien to secure, such Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act (or the application or official interpretation thereof) by virtue of such Credit Party's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act (determined after giving effect to any "keepwell, support or other agreement" for the benefit of such Credit Party and any and all guarantees of such Credit Party's Swap Obligations by the other Credit Parties) at the time the guarantee of such Credit Party, or grant by such Credit Party of a Lien, becomes effective with respect to such Swap Obligation.

"***Excluded Taxes***": any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Revolving Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loans or Revolving Commitment (other than pursuant to an assignment request by the Borrowers under Section 12.15) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.14, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.14 and (d) any U.S. federal withholding Taxes imposed under FATCA.

"***Expenses***": (i) any and all reasonable costs, fees and expenses of Administrative Agent add any Lender in connection with the analysis, negotiation, preparation, execution, administration, syndication, delivery, termination and court approval of this Agreement, the Financing Orders, the other Loan Documents and the documents and instruments referred to herein and therein, and any amendment, restatement, supplement, waiver or consent relating hereto or thereto, whether or not any such amendment, restatement, supplement, waiver or consent is executed or becomes effective, (ii) any and all reasonable costs, fees and expenses of Administrative Agent and each Lender in connection with the enforcement of Administrative Agent's and Lenders' rights hereunder (including, without limitation, field examination expenses), or the collection of any payments owing from, the Credit Parties hereunder and/or the other Loan Documents or the protection, preservation or defense of the rights of Administrative Agent and Lenders hereunder and under the other Loan Documents, (iii) the analysis, negotiation, and preparation of the Financing Orders, the Asset Sale Documents and any other documents filed in or prepared in connection with the Bankruptcy Cases, and the preparation for, travel to and participation in any hearings or proceedings in connection with any of the foregoing, and (iv) any Lien, litigation and

other search costs, the reasonable fees, expenses and disbursements of legal counsel for Administrative Agent and Lenders, including the charges of internal legal counsel, any fees or expenses incurred by Administrative Agent under Section 11.15 for which any Borrower or any other Credit Party are obligated thereunder, and charges of any expert, appraiser, auditor or other consultant to Administrative Agent and Lenders.

"***FATCA***": Sections 1471 through 1474 of the Code as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b) of the Code.

"***Federal Funds Effective Rate***": with respect to each Reset Date, the rate per annum (expressed, as a decimal, rounded upwards, if necessary, to the next higher one one-hundredth of one percent (1/100 of 1%)) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, (i) if such day is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Effective Rate for such day shall be the average rate charged to Ally Bank or any other Lender selected by the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"***Final Order***": an order of the Bankruptcy Court in the Bankruptcy Cases which approves the transactions contemplated by this Agreement, the other Loan Documents and the Liens and Guaranties, if any, granted hereunder and thereunder and the other transactions contemplated hereby and thereby on a final basis and is in form and substance acceptable to Administrative Agent and the Lenders, as the same may be amended, modified or otherwise supplemented from time to time in compliance with this Agreement.

"***Financing Orders***": the Interim Order or, when applicable, the Final Order.

"***First Priority***": with respect to any Lien purported to be created in any Collateral pursuant to any Collateral Document, that such Lien is the only Lien to which such Collateral is subject other than Permitted Liens that are non-consensual Permitted Liens or those purchase money Liens expressly permitted hereunder.

"***Fiscal Quarter***": the fiscal period of each Borrower and the other Credit Parties ending on March 31, June 30, September 30 and December 31 in each Fiscal Year.

"***Fiscal Year***": the fiscal year of each Borrower and the other Credit Parties ending on June 30 in each calendar year.

"***Foreign Lender***": (a) if any Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if any Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which such Borrower is resident for tax purposes.

"***GAAP***": generally accepted accounting principles in the United States of America as of the date of the applicable financial report.

"***Government Account Debtor***": an Account Debtor that is a Government Reimbursement Program.

"***Government Lists***": (i) the Specially Designated Nationals and Blocked Persons lists maintained by Office of Foreign Assets Control ("***OFAC***"), (ii) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC that Administrative Agent notified Borrowers in writing is now included in "Government Lists", or (iii) any similar lists maintained by the United States Department of State, the United States Department of Commerce or any other Governmental Authority or pursuant to any Executive Order of the President of the United States of America that Administrative Agent notified Borrowers in writing is now included in "Government Lists".

"***Government Reimbursement Program***": (i) Medicare (including any Medicare managed care program), (ii) Medicaid (including any Medicaid managed care program), (iii) TRICARE, (iv) the Federal Employees Health Benefit Program under 5 U.S.C. §§ 8902 et seq., (v) the Civilian Health and Medical Program of the Department of Veteran Affairs, (vi) any other Federal, state or local health care reimbursement program, and (vii) any agent, administrator, intermediary or carrier for any of the foregoing.

"***Governmental Authority***": any court, board, agency, commission, office or authority of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise) now or hereafter in existence.

"***Governmental Authorization***": any permit, license, registration, authorization, certificate, accreditation, plan, directive, consent order or consent decree of or from, or notice to, any Governmental Authority.

"***Guarantor***": each Person who on or after the Closing Date guarantees the payment and performance of the Obligations.

"***Guaranty***": each guaranty agreement executed by any Guarantor in favor of Administrative Agent (for the benefit of itself and the Lenders), pursuant to which such Guarantor guarantees the payment and performance of the Obligations, in form and substance satisfactory to Administrative Agent, in each case as the same may be amended, restated, replaced or otherwise modified from time to time.

"***Hazardous Materials***": any and all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"***Healthcare Authorizations***": any and all Governmental Authorizations and permits, licenses, provider agreements, authorizations, approvals, certificates, certificates of need, accreditations and plans of third-party accreditation agencies (such as the Joint Commission), provider agreements with Government Reimbursement Programs and Non-Government Payors, in each case that are (a) necessary to enable any Borrower to engage in the Healthcare Services, participate in and receive payment under Government Reimbursement Programs and plans of Non-Government Payors to conduct the Credit Parties' business and operations as presently conducted or (b) required under any Healthcare Laws to continue to conduct its business as it is conducted on the date of this Agreement or otherwise applicable to the ownership of a Healthcare Facility.

"***Healthcare Facility***": each facility set forth on Schedule 4.23 and each other facility, including, without limitation, any hospital, medical office building, or similar facility, owned or leased by

a Borrower which is subject to any Healthcare Authorization and from which any Borrower or any other Person provides or furnishes Healthcare Services.

"***Healthcare Laws***": any and all Applicable Laws relating to the possession, control, warehousing, marketing, sale and distribution of pharmaceuticals, the operation of medical or senior housing facilities (such as, but not limited to, hospitals, ambulatory surgery centers, behavioral health facilities, nursing homes, skilled nursing facilities and rehabilitation hospitals), patient healthcare, patient healthcare information, patient abuse, the quality and adequacy of medical care, rate setting, equipment, personnel, operating policies, fee splitting, including (a) all federal and state fraud and abuse Laws, including, the federal Anti-Kickback Statute (42 U.S.C. §1320a-7b(b)), the Stark Law (42 U.S.C. §1395nn), the civil False Claims Act (31 U.S.C. §3729 et seq.), the federal health care program exclusion provisions (42 U.S.C. §1320a-7) and the Civil Monetary Penalties Act (42 U.S.C. §1320a-7a), (b) HIPAA, (c) Medicare, (d) Medicaid, (e) quality of medical care and accreditation standards and requirements of all applicable state Laws or regulatory bodies, (f) all laws, policies, procedures, requirements and regulations pursuant to which Healthcare Authorizations are issued, and (g) any and all other applicable healthcare laws, regulations, manual provisions, policies and administrative guidance, each of (a) through (g) as may be amended from time to time.

"***Healthcare Services***": providing or arranging to provide or administering, managing or monitoring healthcare goods and services including physician services, nurse and therapist services, hospital services, outpatient services, long-term care or any business or activity that is reasonably similar thereto or a reasonable extension, development or expansion thereof or ancillary thereto.

"***HIPAA***": the Health Insurance Portability and Accountability Act of 1996, the Health Information Technology for Economic and Clinical Health Act of 2009, and any state and local laws regulating the privacy and/or security of individually identifiable information, in each case as the same may be amended, modified or supplemented from time to time, and any successor statute thereto, and any and all rules or regulations promulgated from time to time thereunder.

"***Indebtedness***": without duplication, (a) all indebtedness of such Person for borrowed money, whether or not evidenced by bonds, debentures, notes or similar instruments, (b) all Capitalized Lease Obligations of such Person, (c) all obligations of such Person to pay the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business), (d) all obligations, contingent or otherwise, with respect to the face amount of all letters of credit (whether or not drawn) and banker's acceptances issued for the account of such Person, (e) all Derivative Obligations of such Person, (f) all Contingent Obligations, (g) all liabilities of any partnership or joint venture of which such Person is a general partner or joint venturer, (h) all obligations of such Person to make any payment in connection with any warrants or any other Equity Interests including any put, redemption and mandatory dividends, of such Person or any Affiliate thereof and (i) all indebtedness secured by a Lien on the property of such Person, whether or not such indebtedness shall have been assumed by such Person.

"***Indemnified Taxes***": (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Credit Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

"***Ineligible Assignee***": (i) any natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person), (ii) any Credit Party or any of its Affiliates or (iii) any Defaulting Lender or any Affiliate of any Defaulting Lender or any Person who, upon becoming a Lender hereunder, would constitute a Defaulting Lender or an Affiliate thereof.

"***Initial Budget***": the statement of projected receipts and disbursements of the Borrowers for the period beginning on the Closing Date and ending on the Scheduled Termination Date, broken down by week, including the anticipated uses of the Revolving Loans for such period, delivered to Administrative Agent on or about the Petition Date, in form and substance acceptable to Administrative Agent and the Lenders in their sole discretion and in effect as of the Petition Date.

"***Initial Cash Flow Forecast***": the initial cash flow forecast delivered pursuant to Section 3.1(a)(ii), attached hereto as Exhibit F, depicting on a weekly basis cash revenue, receipts, expenses, disbursements, outstanding advances under the Loans and other information for the 13 fiscal week period following the Closing Date.

"***Insolvency Proceeding***": with respect to any Person, (a) a case, action or proceeding with respect to such Person: (i) before any court or any other Governmental Authority under any Debtor Relief Law, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Person or otherwise relating to the liquidation, dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors; undertaken under any Law.

"***Intellectual Property***": all intellectual and similar property of a Person, including inventions, designs, patents, patent applications, copyrights, trademarks, service marks, trade names, trade secrets, confidential or proprietary information, customer lists, know-how, software and databases; all embodiments or fixations thereof and all related documentation, registrations and franchises; all books and records describing or used in connection with the foregoing; and all licenses or other rights to use any of the foregoing.

"***Interim Commitment Amount***": Thirty Million Dollars ($30,000,000).

"***Interim Hearing***": the meaning set forth in Section 4.30(b).

"***Interim Order***": the order of the Bankruptcy Court entered in the Bankruptcy Cases, in form and substance satisfactory to Administrative Agent, approving this Agreement, the other Loan Documents and the Liens and Guaranties, if any, granted hereunder and thereunder and the other transactions contemplated thereby on an interim basis, which shall be in full force and effect until the entry of the Final Order, and which shall not have been stayed, reversed, vacated or otherwise modified (other than with the consent of the Required Lenders in their sole discretion).

"***Inventory***": any and all "inventory" (as that term is defined in the UCC) of any Person, whether now existing or hereafter arising.

"***Investment***": as to any Person, (a) any direct or indirect acquisition or investment by such Person, whether by means of the purchase or other acquisition of the properties and assets or Equity Interests or other securities of another Person, including the acquisition, operation, management or lease of any Healthcare Facility other than the Healthcare Facilities operated by Borrowers as of the Closing Date, (b) any loan, advance or capital contribution to, assumption of debt of, or purchase or other acquisition of any other debt or Equity Interests in, another Person, including any partnership, membership or joint venture interest in such other Person and any arrangement pursuant to which the investor provides a Contingent Obligation for such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit.

"***IRS***": the United States Internal Revenue Service, or any Governmental Authority succeeding to any of its principal functions.

"***Joint Commission***": the Joint Commission, formerly known as the Joint Commission on Accreditation of Healthcare Organizations or other similar agency.

"***Laws***": collectively, all international, foreign, federal, state and local statutes, laws (including common law), treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents, authorities, rulings, decrees, judgments, writs, injunctions, orders, awards or opinions, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, in each case whether or not having the force of law.

"***Lease Agreement(s)***": each real property lease agreement to which any Borrower or other Credit Party is subject for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect, as the same may be amended, restated, replaced, or otherwise modified from time to time in accordance with the terms and conditions of this Agreement.

"***Lender(s)***": the meaning set forth in the introductory paragraph hereto, and including Revolving Lenders and Swingline Lender.

"***Lender Affiliate***": with respect to any Lender, any Person which, directly or indirectly, is in Control of, is Controlled by, or is under common Control with such Lender.

"***LIBOR Rate***": with respect to each Reset Date, the higher of (i) 2.0% and (ii) a rate per annum equal to:

(1) the offered rate for deposits in U.S. Dollars in an amount comparable to the amount of the applicable Loan for a period of one month which is published by the ICE Benchmark Administration (or any successor thereto) and currently appears on the Reuters LIBOR01 Page as of 11:00 a.m. (London time), on the day that is two (2) London banking days preceding such Reset Date; provided, however, that if such a rate ceases to be available to Administrative Agent on that or any other source from the ICE Benchmark Administration (or any successor thereto), the LIBOR Rate shall be equal to a rate per annum equal to the average rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which Administrative Agent determines that Dollars in an amount comparable to the amount of the applicable Loans are being offered to prime banks at approximately 11:00 a.m. (London time) on the day which is two (2) Business Days prior to the Reset Date for a term of one month for settlement in immediately available funds by leading banks in the London interbank market selected by Administrative Agent; divided by

(2) a number equal to one (1.0) minus the maximum reserve percentages (expressed as a decimal fraction) (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) which are required to be maintained by any Lender by the Board of Governors of the Federal Reserve System; such rate to be rounded upward to the next whole multiple of one-

sixteenth of one percent (0.0625%). The LIBOR Rate shall be adjusted automatically on and as of the effective date of any change in any such reserve percentage.

"***License***": any license or agreement under which any Borrower or any other Credit Party is authorized to use Intellectual Property in connection with any manufacture, marketing, distribution or disposition of Collateral, any use of property, the operation of any Healthcare Facility or any other conduct of its business.

"***Licensor***": any Person from whom any Borrower or any other Credit Party obtains the right to use any Intellectual Property.

"***Lien***": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing). "*Lien*" shall not include the rights of any Government Account Debtor to recoup or setoff against any Account of such Government Account Debtor.

"***Loan Documents***": collectively, this Agreement, the Collateral Documents, any Revolving Note, each Guaranty, and all other documents, agreements and instruments now or hereafter evidencing, securing or delivered to Administrative Agent or any Lender in connection with the Loans or transactions contemplated by this Agreement, as each may be amended, restated or otherwise modified from time to time.

"***Loan Notice***": a notice requesting the making of a Revolving Loan or a Swingline Loan which shall either be included as a part of a Borrowing Base Certificate or be delivered separately in the form of Exhibit D.

"***Loans***": the collective reference to the Revolving Loans and the Swingline Loans, and "***Loan***" means any of such Loans.

"***Lockbox Account***": those certain deposit accounts maintained by Borrowers with the Deposit Account Bank into which all collections of Accounts of such Borrower from Government Account Debtors and/or Non-Government Payors are obligated are paid directly.

"***Management Agreements***": each management agreement or similar agreement for the day-to-day management of one or more Healthcare Facilities for a Borrower, as same may be amended, restated, replaced, supplemented or otherwise modified from time to time in accordance with Section 6.14.

"***Management Fee Subordination Agreement***": any Management Fee Subordination Agreement by and among Administrative Agent, Borrowers and Manager.

"***Management Fees***": the management fees as set forth in each Management Agreement.

"***Manager***": each manager under a Management Agreement.

"***Material Adverse Effect***": (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Borrowers, taken as a whole (other than as customarily occurs as a result of

the commencement of a proceeding under Chapter 11 of the Bankruptcy Code by the Borrowers and the commencement of the Bankruptcy Cases), on the value of any material Collateral, on the enforceability of any Loan Documents, or on the validity or priority of Liens on any material Collateral in favor of Administrative Agent (for the benefit of itself and the Lenders); (b) a material impairment of the ability of any Credit Party to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Credit Party of any Loan Document to which it is a party.

"***Material Citation***": any operational, compliance or physical plant deficiency with respect to any Healthcare Facility of which any Borrower or any other Credit Party is notified in writing by any Governmental Authority or Government Reimbursement Program, and with respect to which the potential penalty for such deficiency is a loss of licensure, decertification of such Healthcare Facility from participation in any Government Reimbursement Program, the appointment of a temporary manager for such Healthcare Facility, the denial of payment for new admissions to such Healthcare Facility, the initiation of state monitoring of such Healthcare Facility, or the closure of such Healthcare Facility.

"***Material Contract***": each of the Lease Agreement, any Management Agreements and any other contract or other arrangement to which any Borrower or any other Credit Party is a party (other than the Loan Documents) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect.

"***Maximum Swingline Loan Amount***": at any time the lesser of (a) Ten Million Dollars ($10,000,000) and (b) the amount that would cause the Revolving Loan to exceed the Availability.

"***Medicaid***": collectively, the healthcare assistance program established by Title XIX of the Social Security Act (42 U.S.C. §§ 1396 *et seq.*) and any statutes succeeding thereto, all state statutes and plans for medical assistance enacted in connection with such program, and all laws, rules, regulations, manuals, orders, guidelines or requirements (whether or not having the force of law) pertaining to such program, in each case as the same may be amended, supplemented or otherwise modified from time to time.

"***Medicare***": collectively, the health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. §§ 1395 *et seq.*) and any statutes succeeding thereto, and all laws, rules, regulations, manuals, orders or guidelines (whether or not having the force of law) pertaining to such program, in each case as the same may be amended, supplemented or otherwise modified from time to time.

"***Minimum Liquidity***": as of any date, the sum of the following for Borrowers collectively on a consolidated basis for the most recently ended Test Period: (a) the average daily balance of unrestricted cash on hand (net of checks or other items of payment issued but not yet cashed or otherwise posted) in operating deposit accounts of Borrowers, *plus* (b) the average daily Excess Availability; provided that Excess Availability shall be calculated for purposes of this definition without giving effect to a reserve for Minimum Liquidity. Credit Parties shall provide to Administrative Agent, promptly upon Administrative Agent's request therefor, a "screen shot" of the account page on the official website of the Deposit Account Bank showing the current account balance with respect to each deposit account utilized in the calculation of Minimum Liquidity.

"***Mortgage***": each mortgages, deeds of trust and comparable documents executed by any Borrower in favor of Administrative Agent (for the benefit of itself and the Lenders), by which such Borrower has granted to Administrative Agent, as security for the Obligations, a Lien upon the real property of such Borrower.

"***Net Collectable Value***" percentages that Administrative Agent, in the exercise of its reasonable credit judgment, applies from time to time to Eligible Accounts by payor class (e.g., Medicare, Medicaid, Medicare managed care, Medicaid managed care, commercial insurance, etc.) based upon Administrative Agent's review and analysis of, among other things, any Borrower's historical collection history, contractual allowances, returns, rebates, discounts, credits and other allowances for each such payor class and taking into account other factors deemed appropriate by Administrative Agent which may result in the possible non-payment of Accounts for any reason or possible diminution of the value of any Collateral, all in a manner consistent with Administrative Agent's underwriting practices and procedures.

"***Non-Government Payors***": any Third-Party Payors other than the Government Reimbursement Programs.

"***Notes***": the collective reference to the Revolving Notes and the Swingline Notes (in each case, if any), and "***Note***" means any of such Notes.

"***Obligations***": any and all Loans and other existing and future debts, liabilities and obligations of every kind or nature at any time owing by any Borrower and any other Credit Party to Administrative Agent, Lenders, Swingline Lenders or any Lender Affiliate arising out of, under, pursuant to, in connection with, or evidenced by this Agreement or any of the other Loan Documents, whether joint or several, related or unrelated, primary or secondary, matured or contingent, due or to become due, and whether constituting principal, interest, fees, indemnification obligations or Expenses (and specifically including any interest, fees or expenses accruing after the commencement of any Insolvency Proceeding with respect to any Borrower or any other Credit Party, whether or not a claim for such post-commencement interest, fees or expenses is allowed); any Approved Cash Management Obligations; and the payment of all Protective Advances and other amounts advanced by Administrative Agent, any Lender or any Lender Affiliate to preserve, protect and enforce rights hereunder and in the Collateral. Notwithstanding anything in this definition to the contrary, "Obligations" as used herein and in the Loan Documents, shall not include any Credit Party's Excluded Swap Obligations.

"***O'Connor Hospital***": the hospital commonly known as O'Connor Hospital, located at 2105 Forest Avenue, San Jose, California 95128.

"***OFAC***": the meaning set forth in the definition of "***Government Lists***".

"***Organization Documents***": (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement or limited liability company agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"***Other Connection Taxes***": with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"***Other Taxes***": all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment of any interest in any Loan or Loan Document.

"***Outstanding Amount***": with respect to the Revolving Facility on any date, the sum of (i) the aggregate outstanding principal amount of all Revolving Loans as of such date and (ii) the aggregate outstanding principal amount of all Swingline Loans, after giving effect, without duplication, to any borrowings and prepayments or repayments of Revolving Loans or Swingline Loans occurring on such date.

"***PACE Bond Trustee***": the meaning set forth in the recitals.

"***Participant***": the meaning set forth in Section 10.01(d).

"***Patriot Act***": the meaning set forth in Section 5.15(a).

"***Patriot Act Offense***": any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (a) the criminal laws against terrorism; (b) the criminal laws against money laundering, (c) the Bank Secrecy Act, as amended, (d) the Money Laundering Control Act of 1986, as amended, or the (e) Patriot Act. "***Patriot Act Offense***" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense.

"***Payment Date***": the first day of each calendar month, commencing on the first day of the first full calendar month after the Closing Date.

"***PBGC***": the Pension Benefit Guaranty Corporation or any Governmental Authority succeeding to any of its principal functions.

"***Permitted Asset Disposition***": an Asset Disposition that is (a) a sale of Inventory in the ordinary course of business or any other disposition of Inventory that is obsolete, unmerchantable or otherwise unsaleable in the ordinary course of business; (b) a disposition of equipment that, in the aggregate during any 12 month period, has a fair market or book value (whichever is more) of $100,000 or less; (c) a termination of a lease of real or personal property (other than one that is a Material Contract) that is not necessary for the ordinary course of business, could not reasonably be expected to have a Material Adverse Effect and does not result from a default by any Borrower or any other Credit Party; or (d) any Asset Sale pursuant to Asset Sale Documents in form and substance satisfactory to Administrative Agent in its reasonable discretion.

"***Permitted Contingent Obligations***": (a) Guaranties of Indebtedness hereunder made by the Guarantors, (b) endorsements of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (c) the unsecured Contingent Obligations described on Schedule 2 hereto (which for the avoidance of doubt shall be subordinate to the Obligations) and (d) Contingent Obligations (which for the avoidance of doubt shall be subordinate to the Obligations) incurred in the ordinary course of business with respect to surety, appeal or performance bonds or other similar obligations not to exceed $500,000 in the aggregate at any time outstanding.

"***Permitted Indebtedness***": (a) Indebtedness to Administrative Agent and Lenders in connection with the Loans or otherwise pursuant to the Loan Documents; (b) purchase money Indebtedness incurred by any Credit Party to finance the purchase of fixed assets, provided that (i) such Indebtedness outstanding in the aggregate at any time shall not exceed $1,000,000, (ii) such Indebtedness shall not exceed the purchase price of the assets funded and (iii) no such Indebtedness may be refinanced for a principal amount in excess of the principal amount outstanding at the time of such refinancing; (c) unsecured trade payables incurred in the ordinary course of a Credit Party's business and which do not remain unpaid more than ninety (90) days after the due date thereof; (d) [reserved], (e) Indebtedness existing on the Closing Date, (f) Permitted Contingent Obligations, (g) [reserved], (h) other unsecured Indebtedness (which for the avoidance of doubt shall be subordinate to the Obligations) in an aggregate outstanding amount not to exceed $250,000 at any one time, and (i) Subordinated Indebtedness, provided that any Subordinated Indebtedness shall require the approval of Administrative Agent.

"***Permitted Intercompany Loans***": loans in the nature of intercompany debits and credits made on the books of any Borrower to any other Borrower.

"***Permitted Investments***": (a) Investments existing on the Closing Date that are disclosed under the heading "Permitted Investments" on Schedule 2 hereto, and (b) Investments in Cash Equivalents.

"***Permitted Liens***": (a) Liens securing taxes, assessments or governmental charges or levies not delinquent; (b) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, social security and other like laws; (c) Liens on fixed assets securing purchase money Indebtedness permitted under the definition of "***Permitted Indebtedness***"; provided that, such Lien attached to such assets concurrently, or within 20 days of the acquisition thereof, and only to the assets so acquired; (d) Liens existing on the Closing Date and disclosed under the heading "Permitted Liens" on Schedule 2 hereto; (e) Liens in favor of Administrative Agent (for the benefit of itself and the Lenders) securing the Obligations; (f) other Liens which do not secure Indebtedness for borrowed money or letters of credit and as to which the aggregate amount of the obligations secured thereby does not exceed $100,000; and (g) such other Liens as approved in the Financing Orders.

"***Person***": any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association, Governmental Authority, any other person or entity, and any fiduciary acting in such capacity on behalf of any of the foregoing.

"***Petition Date***": the meaning set forth in the recitals.

"***Plan***": (i) an employee benefit or other plan established or maintained by any Borrower or any ERISA Affiliate or any such Plan or to which any Borrower or any ERISA Affiliate makes or is obligated to make contributions and (ii) which is subject to Title IV of ERISA or Section 302 of ERISA or Section 412 of the Code.

"***Plan Documentation***": the Plan of Reorganization and all documentation related thereto or referenced therein, including without limitation any amendments, modifications or supplements to any of the foregoing, including any subsequent plans of reorganization, any motions related thereto and the Confirmation Order.

"***Plan of Reorganization***": as the same may be amended, modified or otherwise supplemented in compliance with this Agreement, one or more plans of reorganization of the Borrowers in their Bankruptcy Cases which singly or in the aggregate provide for the indefeasible payment in full, in

cash and in accordance with the terms of this Agreement of all Obligations which are due and owing as of the effective date of such plan(s) of reorganization.

"***Pledge Agreement***": that certain Pledge Agreement, dated as of the Closing Date, executed by each Pledgor in favor of Administrative Agent (for the benefit of itself and the Lenders), and each other pledge agreement executed by any Pledgor in favor of Administrative Agent (for the benefit of itself and the Lenders), in each case as the same may be amended, restated, replaced, severed, split, supplemented or otherwise modified from time to time.

"***Pledgor***": VHS and any other Person who executes a Pledge Agreement and grants a security interest in any Equity Interests of a Borrower or another Credit Party that are owned by such Person to secure the Obligations.

"***Postpetition***" or "***postpetition***": the time period commencing on the Petition Date and ending on the Reorganization Effective Date.

"***Prepetition***" or "***prepetition***": the time period prior to the Petition Date.

"***Pro Rata Share***": with respect to a Lender's obligation to make its share of Revolving Loans and receive payments of principal, interest, fees, costs, and expenses with respect thereto and for all other purposes hereunder (including the indemnification obligations arising under Section 12.7), the percentage obtained by dividing (i) such Lender's Revolving Commitment (or, after the termination of the Revolving Commitment, the Outstanding Amount of such Lender), by (ii) the aggregate amount of all Lenders' Revolving Commitments (or, after the termination of the Revolving Commitment, the Outstanding Amount of all Lenders).

"***Protective Advances***": the meaning set forth in Section 2.13.

"***QAF Account(s)***": Accounts arising under the QAF Program.

"***QAF Phase V Program***": the meaning set forth in the definition of "QAF Program."

"***QAF Program***": the Medi-Cal supplemental payments program that imposes a quality assurance fee to be paid by hospitals that is used to obtain increased federal Medicaid matching funds as implemented: (a) with respect to the January 1, 2014 – December 31, 2016, program period, pursuant to the Medi-Cal Hospital Reimbursement Improvement Act of 2013 (Article 5.230 (commencing with Section 14169.50) of Chapter 7 of Part 3 of Division 9 of the California Welfare and Institutions Code, enacted by California Senate Bill 239 (Stats. 2013, Ch. 637)); (b) the January 1, 2017 – June 30, 2019 program period, pursuant to the Medi-Cal Hospital Reimbursement Improvement Act of 2013 (Article 5.230 (commencing with Section 14169.50) of Chapter 7 of Part 3 of Division 9 of the California Welfare and Institutions Code, enacted by California Senate Bill 239 (Stats. 2013, Ch. 637)) (the "***QAF Phase V Program***"); (c) with respect to the July 1, 2011 – December 31, 2013, program period pursuant to the Medi-Cal Hospital Provider Rate Improvement Act of 2011 and Private Hospital Quality Assurance Fee Act of 2011 (Article 5.228 (commencing with Section 14169.1) and Article 5.229 (commencing with Section 14169.31) of Chapter 7 of Part 3 of Division 9 of the California Welfare and Institutions Code, enacted by California Senate Bill 335 (Stats. 2011, Ch. 286)); (d) with respect to prior program periods pursuant to the Medi-Cal Hospital Provider Rate Stabilization Act and the Quality Assurance Fee Act enacted by California Assembly Bill 1383 (Stats. 2009, Ch. 627) and its amendments, and the Medi-Cal Hospital Rate Stabilization Act of 2011 and Hospital Quality Assurance Fee Act of 2011 enacted by California Senate Bill 90 (Stats. 2011, Ch. 19); and (e) with respect to any subsequent program period for which Medi-Cal supplemental payments are provided pursuant to the current quality assurance fee

program, or legislation modifying or extending the quality assurance fee program or enacting a successor quality assurance fee program or similar statewide hospital fee program.

"***QAF Required Payment***": each required periodic payment pursuant to the QAF Program of the (a) managed care tax and (b) pledge fee payable to the California non-profit foundation required pursuant to the QAF Program.

"***Rating Agency***": each of Standard & Poor's, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc., and Fitch, Inc., a division of Fitch Ratings Ltd. or any other nationally-recognized statistical rating organization.

"***Recipient***": the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any Obligation of any Credit Party hereunder or under any other Loan Document.

"***Related Parties***" with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"***Reorganization Effective Date***": the effective date the Plan of Reorganization.

"***Reorganization Milestones***": (a) the filing by the Borrowers in the Bankruptcy Cases of a Plan of Reorganization on or before the date that is one hundred and twenty (120) days following the Petition Date and accompanying disclosure statement with respect to such Plan of Reorganization, provided that such date is further extended to the end of the Borrower's exclusivity period in the related Bankruptcy Case upon entry of an order extending the Borrower's exclusivity period, and (b) the filing by the Borrowers within sixty (60) days following the Petition Date of either (i) the Saint Louise/O'Connor Hospital Bid Procedures Motion, or (ii) the Consolidated Sale Motion.

"***Required Insurance***": the meaning set forth in Section 5.4.

"***Required Lenders***": as of any date of determination, (a) if there are two (2) or fewer Lenders, Lenders holding one hundred percent (100%) of the aggregate Revolving Commitments, or (b) if there are more than two (2) Lenders, Lenders that are not Affiliates holding greater than sixty-six and two thirds percent (66 2/3%) of the aggregate Revolving Commitments (or, after the termination of the Revolving Commitments, Lenders that are not Affiliates holding greater than sixty-six and two thirds percent (66 2/3%) of the Outstanding Amount), provided, that the Revolving Commitment of, and the portion of the liabilities held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"***Reset Date***": the Closing Date and the first day of each calendar month thereafter.

"***Restrictive Agreement***": an agreement (other than a Loan Document) that conditions or restricts the right of any Borrower or any other Credit Party to incur or repay Indebtedness, to grant Liens on any assets, to declare or make Distributions, to modify, extend or renew any agreement evidencing Indebtedness, or to repay any intercompany Indebtedness.

"***Revolving Commitment***": as to any Revolving Lender, such Revolving Lender's commitment to make Pro Rata Share of the Revolving Loans hereunder, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Revolving Lender's name on Annex A or in the Assignment Agreement pursuant to which such Revolving Lender becomes a party

hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement. The aggregate Revolving Commitments of the Revolving Lenders on the Closing Date is equal to the Interim Commitment Amount; provided that the aggregate Revolving Commitments of the Revolving Lenders shall increase to One Hundred Eighty-Five Million Dollars ($185,000,000) upon the satisfaction of the satisfaction of the funding conditions set forth in each of Sections 3.2 and 3.3.

"***Revolving Facility***": the meaning set forth in Section 2.1(a).

"***Revolving Lender***": each Lender with a Revolving Commitment.

"***Revolving Loan***": the meaning set forth in Section 2.1(a).

"***Revolving Loan Termination Date***": the earliest to occur of (a) the Scheduled Termination Date; (b) the earlier of (i) the date that is 30 days from entry of the Interim Order unless the Final Order has been entered and has become effective prior to the expiration of such period (or such later date as the Administrative Agent may approve in writing in its sole and absolute discretion), (ii) the date the Bankruptcy Court denies entry of the Final Order, or (iii) the date of revocation of the Interim Order or the Final Order, as applicable; (c) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "effective date") of a plan of reorganization filed in the Bankruptcy Cases that is confirmed pursuant to an order entered by the Bankruptcy Court; (d) the consummation of a sale of all or substantially all of the Collateral; (e) the date the Bankruptcy Court orders the conversion of the Bankruptcy Cases to a Chapter 7 liquidation or the dismissal of the Bankruptcy Cases or the appointment of a trustee or examiner with expanded power in the Bankruptcy Cases; and (f) the acceleration of the Loans and the termination of the Revolving Commitment in accordance with this Agreement.

"***Revolving Loans***": each Revolving Loan, collectively.

"***Revolving Note***": any promissory notes, if requested by a Lender pursuant to Section 2.11, made by each Borrower in favor of such Lender evidencing the Revolving Loans of such Lender, substantially in the form of Exhibit C.

"***Sanctions***": any international economic sanctions or trade embargo administered or enforced by the United States Government, including OFAC, the United Nations Security Council, the European Union or other relevant sanctions authority.

"***Scheduled Termination Date***": September 7, 2019.

"***Security Agreement***": that certain Security Agreement, dated as of the Closing Date, executed by each Credit Party in favor of Administrative Agent (for the benefit of itself and the Lenders), and each other security agreement executed by any Borrower or any other Credit Party in favor of Administrative Agent (for the benefit of itself and the Lenders), in each case as the same may be amended, restated or otherwise modified from time to time.

"***Seton Cash Burn Elimination Plan***": a plan for the reduction and eventual elimination of the cash burn from the operation of Seton Medical Center and Seton Medical Center Coastside (which may be by a sale of such facilities to an identified stalking horse bidder, sale pursuant to the Consolidated Sale Motion or by other means, in either case on terms and conditions satisfactory to the Administrative Agent).

"***Seton Medical Center***": the hospital commonly known as Seton Medical Center, located at 1900 Sullivan Avenue, Daly City, California 94015.

"***Seton Medical Center Coastside***": the hospital commonly known as Seton Medical Center Coastside, located at 600 Marine Boulevard, Moss Beach, California 94038.

"***Specified Prepetition Secured Creditors***": (1) U.S. Bank as Note Trustee for 2015 and 2017 Working Capital Notes; (2) U.S. Bank as Master Trustee for 2005 Series Bonds; and (3) Verity MOB Financing, LLC and Verity MOB Financing II, LLC.

"***Saint Louise Hospital***": the hospital commonly known as Saint Louise Regional Hospital, located at 9400 No Name Uno, Gilroy, California 95020.

"Saint Louise/O'Connor Hospital Bid Procedures Motion": a motion for approval of bid procedures for an identified stalking horse bidder in an amount of at least $235,000,000 of cash consideration in connection with the sale (exclusive of accounts receivable and QAF Accounts) of the Saint Louise Hospital and the O'Connor Hospital and related assets pursuant to section 363(b) and (f) of the Bankruptcy Code on terms and conditions acceptable to the Administrative Agent.

"***Subordinated Indebtedness***": any Indebtedness of any Credit Party or any Subsidiary (a) that is subordinated to the Obligations in a manner satisfactory to Administrative Agent, and contains terms, including payment terms, satisfactory to Administrative Agent or (b) subordinated to the Obligations pursuant to the Financing Orders. All Subordinated Indebtedness as of the Closing Date is identified and described under the heading "Subordinated Indebtedness" on Schedule 2 hereto.

"***Subordinated Indebtedness Documents***": the Subordination Agreements and all other documents and instruments relating to the Subordinated Indebtedness and all amendments and modifications thereof permitted hereby. Permitted Intercompany Loans shall constitute Subordinated Indebtedness; provided that Permitted Intercompany Loans shall not be required to be subject to a Subordination Agreement unless requested by Administrative Agent.

"***Subordination Agreements***": All subordination agreements, intercreditor agreements, consents and similar agreements among any Credit Party, Administrative Agent and any holder of Indebtedness, whether entered into on or prior to the date hereof or from time to time hereafter, in each case together with all modifications, amendments and restatements of any of the foregoing.

"***Subsidiary***": of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of a Borrower.

"***Swap Agreement***": a swap agreement (as defined in 11 U.S.C. § 101, as in effect from time to time), if any, between any Borrower or any other Credit Party and Administrative Agent, any Lender or any Lender Affiliate.

"***Swap Obligations***": with respect to any Borrower or any other Credit Party, any obligation to pay or perform under any Swap Agreement.

"***Swingline Advance***": each Revolving Loan converted by Administrative Agent into an advance under the Swingline Loan pursuant to Section 2.1(c).

"***Swingline Lender***": Ally Bank, or if Ally Bank shall resign as Swingline Lender, another Lender selected by Administrative Agent and reasonably acceptable to Borrower Representative.

"***Swingline Loan***": the outstanding balance of all Swingline Advances and any amounts added to the principal balance of the Swingline Loan pursuant to this Agreement.

"***Swingline Note***": any promissory note, if requested by Swingline Lender pursuant to Section 2.11, made by each Borrower in favor of Swingline Lender evidencing the Swingline Loan of Swingline Lender.

"***Taxes***": all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"***Test Period***": (i) with respect to the first three Test Periods, the period beginning on August 31, 2018 and ending on the then most recent Saturday and (ii) thereafter, the consecutive four (4) week period ending on the then most recent Saturday (taken as one accounting period).

"***Third-Party Payor***": (i) any commercial medical insurance company having its principal office in the United States and licensed as an insurer in the state in which the Healthcare Services giving rise to any Account were rendered, (ii) a Blue Cross/Blue Shield Plan, (iii) any Government Account Debtor making payments under a Government Reimbursement Program, and (iv) any HMO, PPO, managed care plan or other institutional Person or entity having its principal office in the United States that reimburses providers for Healthcare Services.

"***TRICARE***": the program administered pursuant to 10 U.S.C. Section 1071 *et seq.*, Sections 1320a-7 and 1320a-7a of Title 42 of the United States Code and the regulations promulgated pursuant to such statutes.

"***UCC***": the Uniform Commercial Code as in effect in the state of New York or of any other state the laws of which are required to be applied in connection with the perfection of security interests in any Collateral.

"***U.S. Person***": any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"***VHS***": Verity Health System of California, Inc., a California nonprofit corporation.

"***Welfare Plan***": an employee welfare benefit plan, as defined in Section 3(1) of ERISA.

"***Write-Down and Conversion Powers***": with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

1.2 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" and the word "shall" will be construed to have the same meaning and effect. Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document and any Loan Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, extended, renewed, supplemented or otherwise modified in writing from time to time (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof," "hereto" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, clauses, Sections, Exhibits and Schedules shall be construed to refer to Articles, clauses and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such Law and any reference to any Law or regulation shall, unless otherwise specified, refer to such Law or regulation as amended, modified or supplemented from time to time, and (vi) unless otherwise specified, the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. As used hereunder or in the other Loan Documents, the phrase "to Borrowers' knowledge" or "to the best of Borrowers' knowledge" or similar phrases, means each Borrower's and each other Credit Party's knowledge after due and diligent inquiry.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.3 Accounting Terms.

(a) **Generally**. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, except as otherwise specifically prescribed herein.

(b) **Changes in GAAP**. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and Borrowers or Administrative Agent shall so request, Administrative Agent and Borrowers shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of Administrative Agent); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) Borrowers shall provide to Administrative Agent and Lenders financial statements and other documents required hereunder or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.4 Rounding. Any financial ratios required to be maintained by Borrowers pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.5 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to United States Eastern time (daylight or standard, as applicable).

ARTICLE 2 GENERAL REVOLVING LOAN TERMS

2.1 The Revolving Loans and Swingline Loans.

(a) **Revolving Facility**. Subject to the terms and conditions set forth herein and in the Financing Orders, the Lenders hereby establish for the benefit of Borrowers a revolving credit facility (the "***Revolving Facility***") pursuant to which each Lender agrees to make its Pro Rata Share of loans (each such loan, a "***Revolving Loan***") to Borrowers from time to time, on any Business Day during the Availability Period, in an aggregate principal amount at any one time outstanding not to exceed such Lender's Revolving Commitment. The Outstanding Amount shall not exceed at any time the lesser of (i) the Revolving Commitment and (ii) the Borrowing Base (such lesser amount at any time, the "***Availability***"). Subject to the terms and conditions hereof, Borrowers may borrow, repay and reborrow Revolving Loans hereunder until the Revolving Loan Termination Date. The calculation of the Borrowing Base as of any time shall originally be made by Borrowers and certified by an Authorized Officer of Borrower Representative pursuant to the delivery of a Borrowing Base Certificate under Section 8.3 hereof; provided, however, that Administrative Agent shall have the right to review and adjust any such calculation, in its reasonable credit judgment, to the extent that the calculation was not made in accordance with this Agreement.

(b) **Reduction of Eligible Accounts and Establishment of Reserves; Eligible QAF Accounts**. Administrative Agent shall also have the right, in its reasonable credit judgment, and at any time and for any reason, to (i) reduce the dollar amount of Eligible Accounts by the amount of discounts, credits, allowances and returns of any kind then outstanding, issued, granted, owing, accrued or liable to be accrued; (ii) establish and fund reserves against the Borrowing Base and/or charge the same against the Revolving Facility as Revolving Loans at such time as it deems appropriate (including without limitation for any liabilities consisting of Approved Cash Management Obligations) and (iii) with respect to any Eligible QAF Accounts, the Administrative Agent in its reasonable credit judgment may adjust the advance rates, the reserves and eligibility periods.

(c) **Swingline Loans.**

(i) Administrative Agent may convert any request by a Borrower for a Revolving Loan into a request for an advance under the Swingline Loan. The Swingline Loan shall not exceed in the aggregate at any time outstanding the Maximum Swingline Loan Amount. In the event that on any Business Day Swingline Lender desires that all or any portion of the Swingline Loan should be reduced in whole or in part, Swingline Lender shall promptly notify Administrative Agent to that effect and indicate the portion of the Swingline Loan to be reduced. Swingline Lender hereby agrees that it shall notify Administrative Agent to reduce the Swingline Loan to $0 at least once every week. Administrative Agent agrees to transmit to Revolving Lenders the information contained in each notice received by Administrative Agent from Swingline Lender and shall concurrently notify Revolving Lenders of each Revolving Lender's Pro Rata Share of the obligation to make a Revolving Loan to repay the Swingline Loan (or portion thereof).

(ii) Each of the Revolving Lenders hereby unconditionally and irrevocably agrees to fund to Administrative Agent for the benefit of Swingline Lender, in lawful money of the United States and in same day funds, not later than 1:00 p.m. (New York City time) on the Business Day immediately following the Business Day of such Revolving Lender's receipt of such notice from Administrative Agent (provided that if any Revolving Lender shall receive such notice at or prior to 1:00 p.m. (New York City time) on a Business Day, such funding shall be made by such Revolving Lender on such Business Day), such Revolving Lender's Pro Rata Share of a Revolving Loan (which Revolving Loan shall be deemed to be requested by Borrowers) in the principal amount of such portion of the Swingline Loan which is required to be paid to Swingline Lender under this Section 2.1(c) (regardless of whether the conditions precedent thereto set forth in Article 3 are then satisfied and whether or not Borrower Representative has provided a Loan Notice and whether or not any Default or Event of Default exists or all or any of the Loans have been accelerated, but subject to the other provisions of this Section 2.1(c)). The proceeds of any such Revolving Loan shall be immediately paid over to Administrative Agent for the benefit of Swingline Lender for application to the Swingline Loan.

(iii) In the event that an Event of Default shall occur and either (A) such Event of Default is of the type described in Section 9.1(e) hereof or (B) no further Revolving Loans are being made under this Agreement, so long as any such Event of Default is continuing, then, each of Revolving Lenders (other than Swingline Lender) shall be deemed to have irrevocably, unconditionally and immediately purchased a participation in the Swingline Loan from Swingline Lender in an amount equal to such Revolving Lender's Pro Rata Share of the Revolving Commitment multiplied by the total amount of the Swingline Loan outstanding. Each Revolving Lender shall effect such purchase by making available the amount of such Revolving Lender's participation in the Swingline Loan in U.S. Dollars in immediately available funds to Administrative Agent's Account for the benefit of Swingline Lender. In the event any Revolving Lender fails to make available to Swingline Lender when due the amount of such Revolving Lender's participation in the Swingline Loan, Swingline Lender shall be entitled to recover such amount on demand from such Revolving Lender together with interest at the Federal Funds Effective Rate. Each such purchase by a Revolving Lender shall be made without recourse to Swingline Lender, without representation or warranty of any kind, and shall be effected and evidenced pursuant to documents reasonably acceptable to Swingline Lender. The obligations of Revolving Lenders under this Section 2.1(c) shall be absolute, irrevocable and unconditional, shall be made under all circumstances and shall not be affected, reduced or impaired for any reason whatsoever.

(iv) The unpaid principal amount of all Swingline Loans shall bear interest, subject to the terms hereof, at a per annum rate equal to LIBOR Rate plus the Applicable LIBOR Margin.

2.2 [Reserved].

2.3 Funding of the Revolving Loans and Swingline Loans.

(a) Each Revolving Loan and Swingline Loan shall be made upon Borrower Representative's irrevocable notice to Administrative Agent, which may be given by telephone by an Authorized Officer of Borrower Representative (so long as such telephonic notice is confirmed by the delivery of a written Loan Notice in accordance with the terms and conditions set forth in the next sentence). Each notice by Borrower Representative pursuant to this Section 2.3 must be confirmed promptly by delivery to Administrative Agent of a written Loan Notice, appropriately completed and signed by an Authorized Officer of Borrower Representative. Such Loan Notice must be received by

Administrative Agent (1) not later than 1:00 p.m. (New York City time) one (1) Business Day prior to the requested date of any Swingline Loan or (2) not later than 1:00 p.m. (New York City time) on the Business Day that is two (2) Business Days prior to the requested date of any Revolving Loan. Loan Notices received after 1:00 p.m. (New York City time) shall be deemed received on the next Business Day. Each Revolving Loan shall be in a principal amount of at least $250,000.00 and integral multiples of $50,000 in excess of such amount.

(b) Upon receipt of a Loan Notice, Administrative Agent will promptly notify each Lender of such Loan Notice and of the amount of such Lender's Pro Rata Share of the requested Revolving Loan. Each Lender shall promptly remit to Administrative Agent its Pro Rata Share of all funds disbursed on its behalf by Administrative Agent either before or after such disbursement as requested by Administrative Agent. If Administrative Agent requires funds from a Lender prior to disbursement to Borrowers, which Administrative Agent may so require in its sole and absolute discretion, Administrative Agent shall advise each such Lender by written notice in accordance with this Agreement of the amount of such Lender's Pro Rata Share of such requested disbursement no later than 5:00 p.m. (New York City time) on the Business Day prior to the funding date thereof, and each such Lender shall pay Administrative Agent its Pro Rata Share of such requested Revolving Loan, in same day funds, by wire transfer to Administrative Agent's account not later than 2:00 p.m. (New York City time) on the intended date of disbursement to Borrowers. If Administrative Agent shall have already disbursed funds to Borrowers, each Lender shall pay its Pro Rata Share thereof to Administrative Agent within one (1) Business Day of Administrative Agent's request therefor. If Administrative Agent shall have disbursed funds to Borrowers and any Lender fails to pay its Pro Rata Share thereof in accordance with this Agreement within one (1) Business Day of Administrative Agent's request therefor, Administrative Agent shall promptly notify Borrower Representative and Borrowers shall immediately repay such amount to Administrative Agent without premium or penalty. Nothing in any Loan Document shall be deemed to require Administrative Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its commitments under the Loan Documents (including those set forth in Section 12.12) or to prejudice any rights that Administrative Agent may have against any Lender as a result of any default by such Lender under the Loan Documents.

2.4 Deposit Accounts and Control Agreements.

(a) The Borrowers have established and shall maintain one or more Lockbox Accounts with Bank of America, N.A. (such depository institution, a "***Deposit Account Bank***"), subject to the provisions of this Agreement. Borrowers shall execute with the Deposit Account Bank a deposit account control agreement for each Lockbox Account in form and substance acceptable to Administrative Agent. Each Borrower shall ensure that all Collections of Accounts (including QAF Accounts) are paid directly into and deposited in the Lockbox Account of the applicable Borrower, and that all funds deposited into the Lockbox Account are immediately transferred into a depository account owned by a Borrower and subject to a deposit account control agreement in form and substance acceptable to Administrative Agent (the "***Concentration Account***") and that all funds deposited into the Concentration Account shall immediately be transferred to the Administrative Agent's Account for application to the Obligations in accordance with the terms and conditions of this Agreement. In addition, each Borrower shall ensure that the net proceeds from any Asset Disposition and any proceeds of insurance or condemnation awards paid are paid directly into the Escrow Deposit Account.

(b) The Borrowers may establish subaccounts of the Escrow Deposit Account as appropriate to hold funds on account of separate prepetition collateral pools, as may be directed by the Bankruptcy Court; provided that such subaccounts shall be subject to the requirements of Section 5.18.

(c) If any Borrower receives any Collections that should have been sent to a Lockbox Account, such Borrower shall promptly upon receipt (and in any event within one (1) Business Day of receipt) forward such Collections directly to the applicable Lockbox Account or the Concentration Account, as applicable, in the form received, and promptly notify Administrative Agent of such event. Until so forwarded, such Collections shall be held in trust for the benefit of Administrative Agent and Lenders.

(d) No Credit Party shall withdraw any amounts from any Lockbox Account, nor shall any Credit Party change the procedures or sweep instructions under any agreement governing a Lockbox Account. Each Credit Party shall cooperate with Administrative Agent in the identification and reconciliation on a daily basis of all amounts received in or required to be deposited into a Lockbox Account.

(e) Notwithstanding anything in any account instruction agreement or deposit account agreement to the contrary, each Credit Party agrees that it shall be liable for any fees and charges in effect from time to time and charged by the Deposit Account Bank in connection with the deposit accounts, and that neither Administrative Agent nor any Lender shall have any liability therefor. Each Credit Party agrees that all payments made to the Administrative Agent's Account or otherwise received by Administrative Agent, whether in respect of the Accounts or as proceeds of other Collateral or otherwise, may be applied by Administrative Agent on account of the Obligations. Each Credit Party further acknowledges and agrees that, to the extent such fees and charges are not paid by such Credit Party directly but are satisfied using Collections in the Deposit Accounts, such fees and charges shall be deemed to be Revolving Loans made by Lenders hereunder and, to the extent that the payment of such fees or charges by such Credit Party as provided herein results in any overadvance under Section 2.5 of this Agreement, such Credit Party agrees to immediately (upon notice to Borrower Representative) repay to Administrative Agent (for the benefit of itself and the Lenders) the amount of such overadvance. Each Credit Party agrees to indemnify and hold Administrative Agent harmless from any and all liabilities, claims, losses and demands whatsoever, including the fees and disbursements of legal counsel for Administrative Agent, including the charges of internal legal counsel, arising from or relating to actions of Administrative Agent or the Deposit Account Bank pursuant to this Section 2.4 or any deposit account agreement.

(f) Each Credit Party agrees that all payments made to the Administrative Agent's Account or otherwise received by Administrative Agent, whether in respect of the Accounts or as proceeds of other Collateral or otherwise, will be applied on account of the Obligations in accordance with the terms of this Agreement, but, for purposes of calculating interest and fees hereunder, shall be subject to a two (2) Business Day clearance period.

(g) Each Credit Party acknowledges and agrees that compliance with the provisions of this Section 2.4 is a material term of this Agreement and that, in addition to and notwithstanding any other rights Administrative Agent and the Lenders may have hereunder, under any other Loan Document, under Applicable Law or at equity, upon each and every failure by any Credit Party to comply with any of such provisions Administrative Agent shall be entitled to assess a non-compliance fee which shall operate to increase the rate of interest otherwise in effect hereunder with respect to the Loans by two percent (2.0%) per annum during any period of non-compliance, whether or not a Default or an Event of Default occurs or is declared, provided that nothing shall prevent Administrative Agent from considering any failure to comply with the provisions of this Section 2.4 to be a Default or an Event of Default.

(h) Each Borrower and each other Credit Party shall maintain at all times a valid and enforceable deposit account control agreement with respect to each deposit account of any such Borrower and any such other Credit Party (other than any deposit account dedicated exclusively to payroll purposes

or donor restricted funds), in form and substance satisfactory to Administrative Agent in its reasonable discretion. Borrowers shall not maintain a greater balance in their payroll accounts than is necessary to support Borrowers' current payroll and payroll for one additional payroll cycle (bi-monthly or weekly as applicable). No Borrower shall (i) permit any donor restricted funds to be deposited or held in a Lockbox Account, the Concentration Account or any operating account that holds funds other than donor restricted funds or (ii) otherwise allow such funds to be commingled with any other funds of the Borrowers.

2.5 Borrowing Base Exceeded. If for any reason the Outstanding Amount at any time exceeds Availability, Borrowers shall immediately prepay outstanding Loans in an aggregate amount equal to such excess.

2.6 Repayment of the Loans. Notwithstanding the provisions of Section 362 of the Bankruptcy Code, and without further application to or order of the Bankruptcy Court, all of the Obligations shall be immediately due and payable upon the Revolving Loan Termination Date. Borrowers hereby unconditionally promise to pay to the Administrative Agent, on behalf of the Lenders, on the Revolving Loan Termination Date, the aggregate outstanding principal amount of the Loans as of such date together with interest (with interest being determined in accordance with the provisions of Section 2.7(a)) and all other Obligations outstanding and unpaid hereunder.

2.7 Interest.

(a) The unpaid principal amount of all Loans under the Revolving Facility shall bear interest, subject to the terms hereof, at a per annum rate equal to the LIBOR Rate plus the Applicable LIBOR Margin.

(b) Interest shall be payable monthly, in arrears, on each Payment Date, on the Revolving Loan Termination Date and as otherwise provided in this Agreement.

2.8 Additional Interest Provisions.

(a) All computations of interest for the Loans shall be made on the basis of a year of 360 days and calculated for actual days elapsed.

(b) Notwithstanding the provisions of Section 362 of the Bankruptcy Code, after the occurrence and during the continuance of an Event of Default hereunder, Administrative Agent may, in its sole discretion, or upon the request of the Required Lenders shall, increase the per annum effective rate of interest applicable to the Loans to the Default Rate. All such increases may be applied retroactively to the date of the occurrence of the Event of Default. Each Borrower agrees that the Default Rate payable to Lenders is a reasonable estimate of Lenders' damages and is not a penalty.

(c) All contractual rates of interest chargeable on outstanding principal under the Revolving Loans shall continue to accrue and be paid even after Default, an Event of Default, maturity, acceleration, judgment, Insolvency Proceedings or the happening of any other event or occurrence similar or dissimilar to the foregoing.

2.9 Fees and Charges.

(a) Contemporaneously with Borrowers' execution of this Agreement, Borrowers shall pay Administrative Agent, for the benefit of all Lenders committed to make Revolving Loans on the Closing Date, in accordance with their respective Pro Rata Share, a fee in an amount equal to (i) the

Revolving Commitment, *multiplied by* (ii) one and one quarter percent (1.25%). All fees payable pursuant to this clause (f) shall be non-refundable as of the Closing Date.

(b) [Reserved].

(c) On each Payment Date, on the Revolving Loan Termination Date and as otherwise provided in this Agreement, Borrowers shall pay to Administrative Agent, for the benefit of Lenders in accordance with their Pro Rata Shares, an unused fee in an amount equal to 0.75% per annum of the difference derived by subtracting (i) the average daily Outstanding Amount during the preceding month, from (ii) the Revolving Commitment.

(d) All fees hereunder shall be computed on the basis of a year of 360 days and calculated for the actual number of days elapsed in each calculation period. All fees hereunder shall be non-refundable and deemed fully earned when due and payable.

2.10 Use of Proceeds.

(a) The extensions of credit under and proceeds of the Revolving Loans pursuant to the Revolving Facility shall be made available subject to the terms and conditions herein (including but not limited to the absence of an Event of Default) and used in accordance with the Budget exclusively for (i) payment of all fees and expenses due to Administrative Agent and Lenders pursuant to this Agreement, (ii) financing ongoing debtor in possession working capital needs, maintenance and preservation of Borrowers' assets, general corporate purposes relating to postpetition operations and related costs, fees and expenses of the Bankruptcy Cases, (iii) payment of the administration expenses of the Bankruptcy Cases as approved by the Bankruptcy Court, (iv) to make adequate protection payments (absent the existence of a Default or Event of Default) to the Specified Prepetition Secured Creditors and (v) to pay Daly City, California special tax assessments, for the benefit of the PACE Bond Trustee.

(b) Notwithstanding anything to the contrary set forth herein or in any other Loan Document, no portion of the Revolving Loans, the Collateral, the Carve-Out funds or cash collateral of Administrative Agent or Lenders may be used to fund any activities: (i) preventing, hindering, or delaying any of Administrative Agent's or the Lenders' enforcement or realization upon any of the Collateral; (ii) using or seeking to use Administrative Agent's or any Lenders' cash collateral or selling or otherwise disposing of any of the Collateral (other than Permitted Asset Dispositions) without the consent of the Administrative Agent and the Required Lenders; (iii) using or seeking to use any insurance proceeds constituting Collateral without the consent of the Administrative Agent and the Required Lenders; (iv) except as permitted under Section 6.3, incurring Indebtedness without the prior written consent of Administrative Agent and the Required Lenders; (v) objecting or challenging in any way any claims, Liens, Collateral (including cash collateral) held by or on behalf of any of Administrative Agent or the Lenders; (vi) asserting any claims or causes of action including, without limitation, any action under Chapter 5 of the Bankruptcy Code, against any of Administrative Agent, the Lenders, or any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors, and employees; (vii) prosecuting an objection to, or contesting in any manner, or raising defenses to, the validity, extent, amount, perfection, priority, or enforceability of any of the Obligations, the Liens of Administrative Agent securing the Obligations or any other rights or interests of any of Administrative Agent or the Lenders; or (viii) taking any action which (A) has or could have the effect of adversely modifying or compromising the rights and remedies of Administrative Agent or the Lenders, or (B) is contrary, in a manner adverse to Administrative Agent or the Lenders, to any term or condition set forth in any of the Financing Orders or the other Loan Documents.

2.11 Evidence of Indebtedness. The Loans made by any Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be prima facie evidence of the existence and amounts of the Loans and shall be conclusive absent manifest error with respect to the amount of the Loans and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrowers hereunder to pay any amount owing with respect to the Obligations. The Borrowers shall, upon the request of any Lender, execute and deliver to the Administrative Agent a Revolving Note or Swingline Note (as applicable) for such Lender, which Note shall evidence such Lender's applicable Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

2.12 Payments Generally. All payments to be made by Borrowers shall be made without condition or deduction for any counterclaim, defense, recoupment or set-off. Except as otherwise expressly provided herein, all payments by Borrowers hereunder shall be made in Dollars immediately available to Administrative Agent, on behalf of Lenders, by 11:00 a.m. (New York City time), on the date such payment is due, to Administrative Agent by deposit to the Administrative Agent's Account or to such other deposit account as Administrative Agent may designate by written notice to Borrower Representative. All payments received by Administrative Agent after 11:00 a.m. (New York City time) shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by Borrowers shall become due on a day other than a Business Day, payment shall be made on the next following Business Day. Each Borrower hereby grants to Administrative Agent the right, in Administrative Agent's discretion, without notice to any Borrower, to make Loans to make payments on the Obligations, including any and all interest, fees and Expenses, as and when due hereunder. Each Borrower acknowledges that such Borrower's failure to maintain sufficient funds in any deposit account for payment of any of the Obligations, or Administrative Agent's failure to make a Loan or withdrawal from any deposit account shall not relieve Borrowers of any payment obligation hereunder or any other Loan Document.

2.13 Protective Advances. (a) Borrowers and Lenders authorize Administrative Agent, in its sole discretion, at any time that a Default or Event of Default exists or any conditions in Article 3 are not satisfied, and without regard to the Revolving Commitment or the Borrowing Base, to make Revolving Loans ("***Protective Advances***") (a) in such amounts as Administrative Agent deems necessary or desirable to preserve or protect any Collateral, or to enhance the collectability or repayment of Obligations, or (b) to pay any other amounts chargeable to Borrowers under any Loan Documents, including fees, Expenses, taxes, assessments, insurance, repairs, maintenance, storage and other charges and expenditures upon, against or otherwise relating to the Collateral; provided, however, that the aggregate amount of Protective Advances outstanding at any time shall not exceed ten percent (10%) of the Revolving Commitment without the consent of the Required Lenders. All Protective Advances constitute Obligations, are secured by the Collateral, and shall be treated for all purposes as Revolving Loans.

(b) Upon Administrative Agent's making of any Protective Advances under this Section 2.13, each of the Lenders shall be deemed to have irrevocably, unconditionally and immediately purchased from Administrative Agent a participation in such Protective Advances in an amount equal to such Lender's Pro Rata Share of the Revolving Commitment multiplied by the total amount of such Protective Advances outstanding under this Section 2.13. Each Lender shall effect such purchase by making available the amount of such Lender's participation in such Protective Advances in U.S. Dollars in immediately available funds to Administrative Agent's Account. In the event any Lender fails to make available to Administrative Agent when due the amount of such Lender's participation in such Protective Advances, Administrative Agent shall be entitled to recover such amount on demand from such Lender

together with interest at the Federal Funds Effective Rate. Each such purchase by a Lender shall be made without recourse to Administrative Agent, without representation or warranty of any kind, and shall be effected and evidenced pursuant to documents reasonably acceptable to Administrative Agent. The obligations of the Lenders under this Section 2.13(b) shall be absolute, irrevocable and unconditional, shall be made under all circumstances and shall not be affected, reduced or impaired for any reason whatsoever.

2.14 Taxes.

(a) Defined Terms. For purposes of this Section 2.14, the term "Applicable Law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Credit Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of the Administrative Agent) requires the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Credit Party, then the Administrative Agent or such Credit Party shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Credit Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Credit Parties. The Credit Parties shall timely pay to the relevant Governmental Authority in accordance with Applicable Law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Borrower. The Credit Parties shall jointly and severally indemnify each Recipient, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Credit Parties by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Credit Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Credit Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Article 10 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan

Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this Section 2.14(e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by any Credit Party to a Governmental Authority pursuant to this Section 2.14, such Credit Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrowers and the Administrative Agent, at the time or times reasonably requested by the Borrowers or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrowers or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrowers or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrowers or the Administrative Agent as will enable the Borrowers or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in clauses (ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, if any Borrower is a U.S. Person,

A. any Lender that is a U.S. Person shall deliver to the Borrowers and the Administrative Agent on or prior to the date on which such Lender becomes a Lender hereunder (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

B. any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrowers and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender hereunder (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), whichever of the following is applicable:

1. in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal

withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

2. executed copies of IRS Form W-8ECI;

3. in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in form reasonably acceptable to Administrative Agent to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of any Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "***U.S. Tax Compliance Certificate***") and (y) executed copies of IRS Form W-8BEN; or

4. to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form reasonably acceptable to Administrative Agent, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form reasonably acceptable to Administrative Agent on behalf of each such direct and indirect partner;

C. any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrowers and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender hereunder (and from time to time thereafter upon the reasonable request of the Borrowers or the Administrative Agent), executed copies of any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by Applicable Law to permit the Borrowers or the Administrative Agent to determine the withholding or deduction required to be made; and

D. if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrowers and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrowers or the Administrative Agent such documentation prescribed by Applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrowers or the Administrative Agent as may be necessary for the Borrowers and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrowers and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.14 (including by the payment of additional amounts pursuant to this Section 2.14), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 2.14(h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) if such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.14(h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 2.14(h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This Section 2.14(h) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.14 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Revolving Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

2.15 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to reduce the amount of any sum received or receivable by such Lender or other Recipient hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or other Recipient, the Borrowers will pay to such Lender or other Recipient, as the case may be,

such additional amount or amounts as will compensate such Lender or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Revolving Commitments of such Lender or the Loans made by, or participations in Swingline Loans held by, such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Sections 2.15(a) or (b) and delivered to the Borrowers, shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrowers shall not be required to compensate a Lender pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrowers of the Change in Law giving rise to such increased costs or reductions, and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) In the event that any change in market conditions or any Change in Law shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to determine or charge interest rates at the LIBOR Rate, such Lender shall give notice of such changed circumstances to Administrative Agent and Borrowers and Administrative Agent promptly shall transmit the notice to each other Lender and while such circumstances continue, the Revolving Loans held by such Lender shall be converted from accruing interest a per annum rate equal to the LIBOR Rate plus the LIBOR Rate Margin to accruing interest at a per annum rate equal to the Base Rate plus such applicable margin as will result in the same effective rate of interest applicable immediately prior to such conversion.

(f) After the occurrence and during the continuance of an Event of Default hereunder, each Lender may, in its sole discretion, provide Administrative Agent and Borrowers notice of its election to charge interest rates at the Base Rate, and Administrative Agent promptly shall transmit the notice to each other Lender and during the continuance of such Event of Default, the Revolving Loans held by such Lender shall be converted from accruing interest a per annum rate equal to the LIBOR Rate plus the LIBOR Rate Margin to accruing interest at a per annum rate equal to the Base Rate plus such applicable margin as will result in the same effective rate of interest applicable immediately prior to such conversion.

2.16 Effective Date and Termination. This Agreement shall become effective on the Closing Date and shall continue in full force and effect until the Revolving Loan Termination Date unless sooner terminated as herein provided. Borrowers may terminate this Agreement prior to the Revolving

Loan Termination Date with at least thirty (30) Business Days' prior written notice thereof to Administrative Agent, upon (a) the payment in full of all outstanding Loans, together with accrued and unpaid interest thereon, and (b) the payment in full of all fees, Expenses and other Obligations together with accrued and unpaid interest thereon.

2.17 Effect of Termination. The termination of this Agreement shall not affect any Credit Party's, the Administrative Agent's, any Lender's or any Lender Affiliate's rights, or any of the Obligations having their inception prior to the effective date of such termination, and the provisions hereof shall continue to be fully operative until all transactions entered into, rights or interests created or Obligations have been fully disposed of, concluded or liquidated. The security interests, Liens and rights granted to the Administrative Agent and Lenders hereunder and under the other Loan Documents shall continue in full force and effect, notwithstanding the termination of this Agreement or the fact that the Revolving Facility may from time to time be temporarily in a zero position, until all of the Obligations of each Credit Party have been paid in full after the termination of this Agreement. Accordingly, each Credit Party waives any rights which it may have under the UCC to demand the filing of termination statements with respect to the Collateral, and the Administrative Agent shall not be required to send such termination statements to each Credit Party, or to file them with any filing office, unless and until this Agreement shall have been terminated in accordance with its terms and all Obligations shall have been paid in full in immediately available funds.

ARTICLE 3 CONDITIONS PRECEDENT TO LOANS

3.1 Conditions of Initial Revolving Loan. The obligation of Lenders to make the initial Revolving Loan hereunder on the Closing Date (the "***Closing***") is subject to satisfaction of each of the following conditions precedent:

(a) Administrative Agent shall have received all of the following deliverables, each in form and substance satisfactory to Administrative Agent:

(i) the Interim Order shall (A) have been entered without opposition by any Specified Prepetition Secured Creditor, the PACE Bond Trustee, NantWorks, LLC or any other Person identified by Administrative Agent, (B) shall have been entered not later than three (3) days following the Petition Date and (C) be in effect and shall not have been reversed, modified, amended or stayed, and no motion seeking a reversal, modification, amendment or stay shall have been filed by any Person;

(ii) Administrative Agent shall have received the Initial Cash Flow Forecast, which shall be dated no more than seven (7) days prior to the Interim Hearing, and the Initial Budget, in each case in form and substance satisfactory to the Administrative Agent;

(iii) executed counterparts of this Agreement and the other Loan Documents required by Administrative Agent to be executed on the Closing Date;

(iv) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Authorized Officers of each Credit Party as Administrative Agent may require;

(v) such Organization Documents and certifications as Administrative Agent may require to evidence that each Credit Party is duly organized or formed, and that each Credit Party is validly existing, in good standing and qualified to engage in business in each jurisdiction

where its ownership, lease or operation of properties or the conduct of its business requires such qualification;

(vi) a certificate signed by an Authorized Officer of each Credit Party either (A) certifying that all consents, licenses and approvals required in connection with the execution, delivery and performance by the Credit Parties and the validity against the Credit Parties of the Loan Documents are in full force and effect and have been delivered to Administrative Agent, or (B) stating that no such consents, licenses or approvals are so required;

(vii) a certificate signed by an Authorized Officer of Borrowers certifying: (A) that the conditions specified in Section 3.1 have been satisfied, (B) that there has been no event or circumstance since the public disclosures on August 14, 2018 for the period ending June 30, 2018 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, and (C) that no event or circumstance has occurred or exists that constitutes a Default or an Event of Default;

(viii) correct and complete certified copies of (i) each Lease Agreement, (ii) each Material Contract, (iii) [reserved], and (iv) all "first day orders" entered at the time of commencement of the Bankruptcy Cases, in each case together with all applicable amendments thereto, all of which shall be acceptable to Administrative Agent in its sole and absolute discretion; and

(ix) evidence that all Required Insurance has been obtained and is in effect;

(b) Administrative Agent, for the benefit of itself and the Lenders, as applicable, shall have received payment in full of all fees required to be paid under Section 2.9 on or before the Closing Date;

(c) Administrative Agent shall have valid and perfected super-priority Liens on the Collateral pursuant to the Financing Orders, and no further action by any entity shall be required to perfect such Liens; *provided* that Administrative Agent may, in its sole and absolute discretion, file UCC financing statements, require delivery of certificated equity interests required to be pledged, and require execution and delivery of intellectual property security agreements, in each case in suitable form for filing;

(d) Administrative Agent shall have received a completed Borrowing Base Certificate and a pro forma Compliance Certificate;

(e) Administrative Agent shall have received such financial statements, reports, certifications, and other operational information required to be delivered hereunder or otherwise required by Administrative Agent, which shall include financial statements of the type required to be delivered under (i) Section 8.4(d) for the three (3) Fiscal Years preceding the Closing Date and (ii) Section 8.4(b) for the calendar month and year-to-date period most recently ended at least thirty (30) days prior to the Closing Date;

(f) the payment of all reasonable and documented out-of-pocket fees, costs and expenses associated with the transactions contemplated by this Agreement, the Interim Order and the other Loan Documents incurred by the Administrative Agent or the Lenders;

(g) each Borrower and each other Credit Party shall have executed and filed IRS Form 8821 with the appropriate office of the Internal Revenue Service;

(h) at least three (3) days prior to the Closing Date, each Credit Party shall have provided all documentation and other information that the Administrative Agent or such Lender requests at least five (5) Business Days prior to the Closing Date in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act;

(i) Administrative Agent shall have received and be satisfied with background checks on certain owners and senior management of the Borrowers;

(j) Administrative Agent shall be satisfied with the results of its review of a quality of earnings report, a field examination, site visits, and due diligence with respect to the Credit Parties, including healthcare and regulatory due diligence;

(k) the Closing Date shall have occurred on or prior to two (2) business days after the entry of the Interim Order; and

(l) Administrative Agent shall have received such other assurances, certificates, documents, consents or opinions as Administrative Agent or any Lender reasonably may require.

3.2 Conditions to all Loans. The obligation of the Lenders to make any Revolving Loan is subject to satisfaction of each of the following conditions precedent:

(a) The representations and warranties of each Borrower and each other Credit Party contained in Article 4 or any other Loan Document (excluding the representation that there exists no Default (but only to the extent such Default has not become an Event of Default)), shall be true and correct in all material respects (provided that any representation or warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects) on and as of the date of such Revolving Loan, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (provided that any representation or warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects) as of such earlier date, and except that for purposes of this Section 3.2, the representations and warranties contained in Section 4.9 shall be deemed to refer to the most recent Borrowing Base Certificate and financial statements furnished pursuant to Sections 8.3 and 8.4;

(b) No Event of Default shall exist, or would result from such proposed Loan or from the application of the proceeds thereof;

(c) Administrative Agent shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as Administrative Agent reasonably may require; and

(d) Each Loan Notice submitted by Borrowers shall be deemed to be a representation and warranty that the conditions specified in this Section 3.2 have been satisfied on and as of the date of the applicable Loan.

3.3 Final Funding Conditions. The obligation of Lenders to make Revolving Loans in excess of the Interim Commitment Amount is subject to satisfaction of each of the following conditions precedent:

(a) the conditions set forth in Sections 3.1 and 3.2 shall be met on and as of such date;

(b) the Final Order shall (A) have been entered without opposition by any Specified Prepetition Secured Creditor, the PACE Bond Trustee, NantWorks, LLC or any other Person identified by Administrative Agent, (B) shall have been entered not later than thirty (30) days following the entry of the Interim Order and (C) be in effect and shall not have been reversed, modified, amended or stayed, and no motion seeking a reversal, modification, amendment or stay shall have been filed by any Person;

(c) the final report with respect to the full scope of the field exam shall be completed in form and substance satisfactory to Administrative Agent; and

(d) Administrative Agent shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as Administrative Agent reasonably may require.

3.4 Limited Waiver of Conditions Precedent. If any Lender funds any Loan or grants any other accommodation, or if Swingline Lender funds any Swingline Loan, when any conditions precedent are not satisfied (regardless of whether the lack of satisfaction was known or unknown at the time), it shall not operate as a waiver of (a) the right of such Lender to insist upon satisfaction of all conditions precedent with respect to any subsequent funding, issuance, creation or grant; or (b) any Default or Event of Default due to such failure of conditions or otherwise.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

Each Borrower and each other Credit Party represents and warrants to Administrative Agent and Lenders that, as of the Closing Date and as of the date of the making of each Loan or other extension of credit hereunder:

4.1 Organization. Each Borrower and each other Credit Party has been duly organized and is validly existing and in good standing under the laws of the state of its formation, with requisite power and authority, and all rights, licenses, permits and authorizations, governmental or otherwise, necessary to own its properties and to transact its business. Each Borrower and each other Credit Party is duly qualified to do business and is in good standing in each jurisdiction where it is required to be so qualified in connection with its properties, business and operations.

4.2 Authorization; Enforceability. Each Borrower and each other Credit Party has taken all necessary action to authorize the execution, delivery and performance of the Loan Documents to which it is a party. The Loan Documents have been duly executed and delivered by each Borrower and each other Credit Party and constitute legal, valid and binding obligations of each Borrower and each other Credit Party enforceable against such Borrower and such other Credit Party in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and general principles of equity. The Loan Documents are not subject to, and neither Borrower nor any other Credit Party has asserted, any right of rescission, set-off, counterclaim or defense, including the defense of usury. No exercise of any of the terms or conditions of the Loan Documents, or any right thereunder, will render any Loan Document unenforceable.

4.3 No Conflicts. The execution, delivery and performance of the Loan Documents by each Borrower and each other Credit Party and the transactions contemplated thereby will not (a) conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than pursuant to the Loan Documents) upon any of the

properties and assets of any Borrower or any other Credit Party pursuant to the terms of, any agreement or instrument to which such Borrower or such other Credit Party is a party or by which its property is subject or (b) result in any violation of any Applicable Laws relating to any Borrower, any Credit Party or the property or assets of the foregoing. Other than the entry of the Financing Orders, any consent, approval, authorization, order, registration or qualification of or with any Governmental Authority required for the execution, delivery and performance by each Borrower and each other Credit Party of the Loan Documents has been obtained and is in full force and effect.

4.4 Litigation. As of the Closing Date, there are no actions, suits or other proceedings at law or in equity by or before any Governmental Authority pending or threatened against or affecting any Borrower, any other Credit Party or any Healthcare Facility or otherwise relating to the operations of any Healthcare Facility, in which the amount of claimed damages, fines or other liabilities is in excess of $500,000, except as set forth on Schedule 4.4 hereto. There are no facts, circumstances or conditions that would reasonably be expected to form the basis for any material investigation, suit, claim, audit, action (legal or regulatory) or proceeding (legal or regulatory) by a Governmental Authority against or affecting any Credit Party relating to any Healthcare Law. There are no actions, suits or other proceedings at law or in equity by or before any Governmental Authority now pending or threatened against or affecting any Borrower, any other Credit Party or any Healthcare Facility (other than the Bankruptcy Cases), which could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

4.5 Restrictive Agreement. No Borrower or Credit Party is a party to any Restrictive Agreement (other than a Restrictive Agreement entered into in connection with a purchase or lease of fixed or capital assets, including real property, that prohibits Liens on such fixed or capital assets).

4.6 Title. Each Borrower and each other Credit Party owns the property granted by it as Collateral under the Collateral Documents, free and clear of any and all Liens (other than Permitted Liens). Upon the entry of the Financing Orders, the Liens granted pursuant to the Collateral Documents will constitute valid and enforceable First Priority Liens on the Collateral in favor of Administrative Agent (for the benefit of itself and the Lenders).

4.7 [Reserved].

4.8 [Reserved].

4.9 Full and Accurate Disclosure. No statement of fact made by any Borrower or any other Credit Party in any Loan Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein not misleading. There is no material fact presently known to any Borrower or any other Credit Party that has not been disclosed to Administrative Agent and Lenders which adversely affects, or, as far as any Borrower or any other Credit Party can foresee, might adversely affect, the Healthcare Facilities or the business, operations or condition (financial or otherwise) of any Borrower or any other Credit Party. All financial data, including the statements of cash flow and income and operating expense, that have been delivered to Administrative Agent and Lenders in respect of each Borrower, each other Credit Party and the Healthcare Facilities (i) are true, complete and correct in all material respects, (ii) accurately represent the financial condition of each Borrower, each other Credit Party and the Healthcare Facilities as of the date of such reports, and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with GAAP consistently applied throughout the periods covered, except as disclosed therein. No Credit Party has any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments, unrealized or anticipated losses from any unfavorable commitments or any liabilities or obligations not expressly permitted by this Agreement. Since the financial statements delivered to Administrative Agent and the Lenders dated as of May 31, 2018, except for the filing of the Bankruptcy

Cases and the Asset Sales, there has been no material adverse change in the financial condition, operations or business of any Borrower, any other Credit Party or the Healthcare Facilities from that set forth in such financial statements which has not been disclosed to the Administrative Agent in writing.

4.10 Tax Filings. To the extent required, each Borrower and each other Credit Party has filed or has filed on its behalf (or has obtained effective extensions for filing) all federal, state and local tax returns required to be filed and have paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments payable by each Borrower and each other Credit Party. The tax returns of each Borrower and each other Credit Party (if any) properly reflect the income and taxes of such Borrower and such other Credit Party for the periods covered thereby, subject only to reasonable adjustments required by the Internal Revenue Service or other applicable tax authority upon audit.

4.11 No Plan Assets. As of the Closing Date and at all times thereafter (i) no Credit Party is and will not be an "employee benefit plan," as defined in Section 3(3) of ERISA, (ii) none of the assets of any Credit Party constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101, (iii) no Credit Party is nor will be a "governmental plan" within the meaning of Section 3(32) of ERISA, and (iv) transactions by or with Credit Parties are not and will not be subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans.

4.12 Compliance. Each Borrower and each other Credit Party is in compliance with the requirements of all Applicable Laws and all Governmental Authorizations applicable to it or to its properties, except in such instances in which (a) such requirement of Applicable Law or order, writ, injunction or decree is being reasonably contested in good faith by appropriate proceedings diligently conducted, or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

4.13 Federal Reserve Regulations; Investment Company Act. No part of the proceeds of the Loans will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulation U or any other regulation of such Board of Governors, or for any purpose prohibited by Laws or any Loan Document. No Credit Party is (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (ii) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 2005, as amended; or (iii) subject to any other Laws which purport to restrict or regulate its ability to borrow money.

4.14 Ownership of Borrowers and other Credit Parties. A list of the holders of the Equity Interests of each Borrower and each other Credit Party is set forth on Schedule 4.14 hereto, and no other Person has any rights and/or claim to any issued or unissued Equity Interest of any Borrower or any other Credit Party, except as set forth on Schedule 4.14.

4.15 Material Contracts. A list of all Material Contracts as of the Closing Date is set forth on Schedule 4.15. Borrowers have delivered to Administrative Agent true and correct copies of all Material Contracts. Each Material Contract is in full force and effect. Except as a result of the filing of the Bankruptcy Cases, there is no default, breach or violation existing thereunder, and no event has occurred (other than payments due but not yet delinquent) that, with the passage of time or the giving of notice, or both, would constitute a default, breach or violation thereunder, by either party thereto. None of the Material Contracts have been amended or modified except pursuant to a written agreement which has been delivered to Administrative Agent.

4.16 Compliance with Environmental Laws. Each Credit Party's past or present operations, real estate or other properties and assets, including the Healthcare Facilities, are not subject to any investigation of any Governmental Authority to determine whether any remedial action is needed to address any environmental pollution, Hazardous Material or environmental clean-up. No Credit Party has received any Environmental Notice. No Credit Party has any contingent liability with respect to any Environmental Release, environmental pollution or Hazardous Materials on any real estate now or previously owned, leased or operated by it, including the Healthcare Facilities.

4.17 Employee Matters. There are no controversies pending or, to the knowledge of any Credit Party, threatened between any Credit Party and any of its employees, agents or independent contractors, other than employee grievances arising in the ordinary course of business which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect, and each Credit Party is in compliance with all Applicable Laws respecting employment and employment terms, conditions and practices, except for such noncompliance which could not reasonably be expected to have a Material Adverse Effect.

4.18 Intellectual Property. Each Credit Party owns or has the legal right to use adequate Intellectual Property to conduct its business as heretofore conducted by it, except to the extent that any such failure could not reasonably be expected to have a Material Adverse Effect. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of any Credit Party, threatened, by any Licensor or other Person against any Credit Party, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

4.19 Healthcare Authorizations. Each Borrower and each other Credit Party (a) have, or have made timely application for all Healthcare Authorizations and other rights from, and have made all declarations and filings with, all applicable Governmental Authorities, all self-regulatory authorities and all courts and other tribunals necessary to engage in the ownership, management and operation of the Healthcare Facilities as presently conducted, and (b) have not received a Material Citation, nor have any knowledge that any Governmental Authority is considering limiting, suspending or revoking any Healthcare Authorization. All of such Healthcare Authorizations are valid and in full force and effect and Borrower and each other Credit Party are in material compliance with the terms and conditions of all such Healthcare Authorizations.

4.20 HIPAA Compliance. Each Borrower and other Credit Party and, with respect to the Healthcare Facilities, any Manager (a) is in compliance in all material respects with HIPAA, (b) has undertaken or will promptly undertake all necessary surveys, audits, inventories, reviews, analyses and/or assessments (including any necessary risk assessments) of all areas of its business and operations required by HIPAA and (c) has in a place a HIPAA compliance program and is in material compliance with its HIPAA compliance program. Neither the Borrower nor any other Credit Party has received any request to make available to the Secretary of the U.S. Department of Health and Human Services or any other Governmental Authority any of its internal practices, books and records relating to the use and disclosure of protected health information. There has not been any Breach of PHI as defined at 45 C.F.R. §164.402, or violations of any security policy regarding, or any unauthorized access of, any data or information used by the Borrower and the other Credit Parties.

4.21 Reimbursement; Third-Party Payors. Each Borrower and each other Credit Party has provided to Administrative Agent copies of all participation agreements with Third-Party Payors with respect to the business operations of each Borrower and each other Credit Party. The Healthcare Facilities and the Healthcare Services provided at such Healthcare Facilities are qualified for participation in the Government Reimbursement Programs, and each Borrower and each other Credit Party is entitled to reimbursement under the Government Reimbursement Programs for Healthcare Services rendered at

such Healthcare Facilities to qualified beneficiaries, and each Borrower and each other Credit Party complies with the conditions of participation in all Government Reimbursement Programs and related contracts. Each Borrower and each other Credit Party is in compliance in all material respects with contracts with Non-Government Payors and is entitled to reimbursement under such contracts. Without limitation, there is no condition not complied with that could reasonably be expected to jeopardize participation in any Government Reimbursement Program or related contracts or otherwise could reasonably be expected to have a Material Adverse Effect. Borrowers are in compliance, and will continue to comply, with all requirements for eligibility for supplemental payments under the QAF Program.

4.22 Compliance with Healthcare Laws.

(a) Each Borrower and each other Credit Party has timely filed or caused to be timely filed, all material cost reports and other reports of every kind whatsoever required by a Government Reimbursement Program, to have been filed or made with respect to the business operations of any such Borrower and any such Credit Party. There are no materials claims, actions or appeals filed, pending or threatened (and neither any Borrower nor any other Credit Party has filed any claims or reports which would result in any such material claims, actions or appeals) before any Governmental Authority pertaining to any such Borrower's or any such Credit Party's business operations including any intermediary or contractor, the Provider Reimbursement Review Board or the Administrator of CMS, with respect to any Medicare or Medicaid cost reports or claims filed by any such Borrower or any such other Credit Party, or any disallowance by any Governmental Authority in connection with any audit of such cost reports;

(b) No Borrower, Credit Party or Manager (i) has been served with or received any written search warrant, subpoena, civil investigative demand or contact letter from any Governmental Authority related to its business operations or any Healthcare Facility or (ii) is currently (nor has been) subject to: (1) any investigation, inspection or inquiry by any Governmental Authority related to any license or licensure standards applicable to any Borrower or any other Credit Party; (2) any civil or criminal investigations, inquiries or audits involving and/or related to any federal, state or private payor healthcare fraud and abuse provisions or contractual prohibitions of healthcare fraud and abuse; or (3) any federal, state or private payor inquiry, investigation, inspection or audit regarding any Borrower or any other Credit Party or their activities, including any federal, state or private payor inquiry or investigation of any Person having "ownership, financial or control interest" in any Borrower or any other Credit Party (as that term is defined in 42 C.F.R. §420.201 et seq.) involving and/or related to healthcare fraud and abuse, false claims under 31 U.S.C. §§3729-3731 or any similar contractual prohibition, or any qui tam action brought pursuant to 31 U.S.C. § 3729 et seq.;

(c) No Credit Party, nor any director, officer, shareholder, employee, agent or Person with a "direct or indirect ownership or control interest" (as that phrase is defined in 42 C.F.R. §420.201) in any Borrower or any other Credit Party or Manager: (1) has had a civil monetary penalty assessed against him or her pursuant to 42 U.S.C. §1320a-7a; (2) has been excluded from participation in a Federal Health Care Program (as that term is defined in 42 U.S.C. §1320a-7b); (3) has been convicted (as that term is defined in 42 C.F.R. §1001.2) of any of those offenses described in 42 U.S.C. §1320a-7b or 18 U.S.C. §§669, 1035, 1347, 1518, including any of the following categories of offenses: (A) criminal offenses relating to the delivery of an item or service under any Federal Health Care Program (as that term is defined in 42 U.S.C. §1320a-7b) or healthcare benefit program (as that term is defined in 18 U.S.C. §24b); (B) criminal offenses under federal or state law relating to patient neglect or abuse in connection with the delivery of a healthcare item or service; (C) criminal offenses under Applicable Laws relating to fraud and abuse, theft, embezzlement, false statements to third parties, money laundering, kickbacks, breach of fiduciary responsibility or other financial misconduct in connection with the delivery

of a healthcare item or service or with respect to any act or omission in a program operated by or financed in whole or in part by any Governmental Authority; (D) Applicable Laws relating to the interference with or obstruction of any investigations into any criminal offenses described in (1) through (3) above; or (E) criminal offenses under Applicable Laws relating to the unlawful manufacturing, distribution, prescription or dispensing of a controlled substance; or (4) has been involved or named in a U.S. Attorney complaint made or any other action taken pursuant to the False Claims Act under 31 U.S.C. §§3729-3731 or qui tam action brought pursuant to 31 U.S.C. §3729 et seq.;

(d) Each Borrower and each other Credit Party is and shall continue to be in material compliance with all Applicable Laws relating to its relationships with physicians;

(e) All Persons providing Healthcare Services for or on behalf of any Borrower or any other Credit Party (either as an employee or independent contractor) are appropriately licensed in every jurisdiction in which they hold themselves out as professional health care providers;

(f) Except as previously disclosed in writing to the Administrative Agent, no Credit Party (i) has retained any overpayment received from, or failed to refund any overpayment due to, any Third-Party Payor in violation of any Healthcare Law or contract; or (ii) has received written notice of, or has knowledge of, any overpayment or refunds due to any Third-Party Payor;

(g) Each Borrower and each other Credit Party has developed and implemented a current and effective corporate and health care regulatory compliance program ("***CCP***") in accordance with applicable state and federal guidelines to ensure that all aspects of its operations, its employees and healthcare providers under contract comply with all applicable Healthcare Laws. As of the Closing Date, neither any Borrower nor any other Credit Party (i) is a party to a corporate integrity agreement or (ii) has any reporting or other obligations pursuant to a settlement agreement, plan of correction, or other remedial measure entered into with a Governmental Authority;

(h) Each Credit Party has obtained all necessary accreditations to operate its business as now conducted, and currently is in material compliance with all statutory and regulatory requirements applicable to it;

(i) Each Credit Party and their employees and contractors, in the exercise of their duties on behalf of any Credit Party, is and shall continue to be in compliance in all material respects with all Healthcare Laws, and any Laws applicable to the collections on Accounts, any contracts relating thereto or any other Collateral, or otherwise applicable to its business and properties, a violation of which could materially affect its ability to collect on the Accounts, or, in the case of the Credit Parties, repay the Obligations; and

(j) No Healthcare Authorizations of any Credit Party necessary to conduct its business are currently or are likely to be suspended, revoked, limited or denied renewal at any time, which suspension, revocation, limitation or denial could reasonably be expected to have a Material Adverse Effect.

4.23 Licensed Beds. As of the Closing Date, the number of licensed beds authorized for use in each Healthcare Facility is set forth on Schedule 4.23 hereto.

4.24 No Defaults. No event or circumstance has occurred or exists that constitutes a Default or Event of Default.

4.25 Patriot Act and OFAC Compliance. Neither any Borrower nor any other Credit Party nor any officer, director, shareholder or partner in any Borrower or member of such partner nor any owner of a direct or indirect interest in any Borrower (a) is listed on any Government Lists, (b) is a person who has been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof, (c) has been previously indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense, (d) is currently under investigation by any Governmental Authority for alleged criminal activity or (e) is currently the subject or target of any Sanctions or located, organized or resident in any country or territory targeted by any Sanctions.

4.26 Survival. All of the representations and warranties in this Article 4 and elsewhere in the Loan Documents (i) shall survive until the repayment in full of the Obligations and the termination of this Agreement as described herein and (ii) shall be deemed to have been relied upon by Administrative Agent and Lenders notwithstanding any investigation heretofore or hereafter made by Administrative Agent or any Lender, or on its or their behalf.

4.27 Subordinated Indebtedness. The Credit Parties have delivered to Administrative Agent true and correct copies of all Subordinated Indebtedness Documents. None of the Subordinated Indebtedness Documents have been amended or modified except pursuant to a written agreement which has been delivered to Administrative Agent. No breach or default (beyond any applicable notice or cure period) has occurred or is continuing under any Subordinated Indebtedness Documents.

4.28 Federal Employer Identification Number. Each Credit Party's federal employer identification number is listed on Schedule 4.27 hereto.

4.29 Appointment of a Trustee or Examiner; Liquidation. No order has been entered in any Bankruptcy Case (a) for the appointment of a Chapter 11 trustee, (b) for the appointment of an examiner with expanded powers (beyond those set forth in Sections 1106(a)(3) and (4) of the Bankruptcy Code) under Section 1104 of the Bankruptcy Code, (c) to convert any Bankruptcy Case to a case under Chapter 7 of the Bankruptcy Code, or (d) to dismiss any Bankruptcy Case, and in each case no Borrower has applied for, consented to or acquiesced in such actions.

4.30 Reorganization Matters.

(a) The Bankruptcy Cases were commenced on the Petition Date in accordance with applicable Law and proper notice thereof.

(b) Proper notice for (i) the motion seeking approval of this Agreement, the other Loan Documents, the Interim Order and Final Order, (ii) the hearing for the approval of the Interim Order (the "***Interim Hearing***") and (iii) the hearing for approval of the Final Order has been given. The Borrowers and Guarantors have given, on a timely basis as specified in the Interim Order and the Final Order, all notices required to be given to all parties specified in the Interim Order and Final Order.

(c) From and after the entry of the Interim Order, and pursuant to and to the extent provided in the Interim Order, the Liens securing the Obligations are valid and enforceable, perfected Liens on all of the Collateral of the Administrative Agent and Lenders with the priority required by the Financing Orders with respect to all Collateral.

(d) After entry of the Interim Order, and pursuant to the Interim Order and Final Order, the Obligations will constitute allowed administrative expense claims in the Bankruptcy Case,

having priority over all administrative expense claims and unsecured claims against the Borrowers and Guarantors now existing or hereafter arising, of any kind whatsoever, including, without limitation, all administrative expense claims of the kind specified in Sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c) 726 (to the extent permitted by Law), 1113, 1114, or any other provision of the Bankruptcy Code or otherwise, as provided under Section 364(c)(1) of the Bankruptcy Code, subject only to the Carve-Out.

(e) The Interim Order (with respect to the period prior to entry of the Final Order) or the Final Order (with respect to the period on and after entry of the Final Order), as the case may be, is in full force and effect and has not been reversed, stayed, modified, or amended.

(f) Notwithstanding the provisions of Section 362 of the Bankruptcy Code, and subject to the applicable provisions of the Interim Order or Final Order and Section 9.2, as the case may be, on the Revolving Loan Termination Date the Administrative Agent and Lenders shall be entitled to payment of such Obligations and to enforce the remedies provided for hereunder or under applicable Law, without further application to or order by the Bankruptcy Court.

(g) Proper notice for (i) any Asset Sale Motions, Asset Sale Bid Procedure Orders, and Asset Sale Orders, and (ii) the hearing for the approval of any Asset Sale Orders has been given. Borrowers and Guarantors have given on a timely basis all notices required to be given to all parties specified in the applicable Asset Sale Motion, Asset Sale Bid Procedure Order and Asset Sale Order.

ARTICLE 5 AFFIRMATIVE COVENANTS

So long as any Lender shall have any commitment to make any Loan hereunder, or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, each Borrower and each other Credit Party that is a party hereto covenants and agrees as follows:

5.1 Payment of Obligations. Subject to the entry of appropriate orders of the Bankruptcy Court (if any), each Borrower and each other Credit Party shall pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being reasonably contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by such Borrower or such other Credit Party; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property (other than Permitted Liens); and (c) all Indebtedness, as and when due and payable (subject to any applicable grace or cure periods), but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

5.2 Preservation of Existence, Etc. Each Borrower and each other Credit Party shall (a) preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization; and (b) take all action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.3 Maintenance of Properties. Each Borrower and each other Credit Party shall (a) maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) use the standard of care typical in the industry in the operation and maintenance of its Healthcare Facilities. Subject to entry of the appropriate

order or orders of the Bankruptcy Court (if any), Borrowers will pay or cause to be paid all Taxes on or prior to the date due, and in any event, prior to the date upon which any fine, penalty, interest or cost for nonpayment could be imposed, and furnish to Administrative Agent, upon request, receipted bills of the appropriate taxing authority or other documentation reasonably satisfactory to Administrative Agent evidencing the payment thereof. If any Borrower shall fail to pay any Taxes in accordance with this section (unless such Taxes are being reasonably contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by such Borrower or such other Credit Party), Administrative Agent shall have the right, but shall not be obligated, to (for the account of all Lenders) pay such Taxes, and Borrowers shall repay to Administrative Agent, on written demand, any amount paid by Administrative Agent, with interest thereon from the date of the advance thereof to the date of repayment, at the rate applicable during periods of Default hereunder, and such amount shall constitute a portion of the Obligations. Borrowers shall not pay any Taxes or other obligations in installments unless permitted by applicable Laws, and shall, upon the request of Administrative Agent, deliver copies of all notices and bills relating to any Taxes or other charge covered by this section to Administrative Agent.

5.4 Maintenance of Insurance. Subject to entry of the appropriate order or orders of the Bankruptcy Court (if any), each Borrower and each other Credit Party shall maintain at all times insurance on all of their respective properties and assets covering the repair and replacement costs of all such property (including the perils of flood and earthquake) and coverage for business interruption and professional liability, comprehensive general liability and excess liability/umbrella insurance with financially sound and reputable insurance companies, in such reasonable amounts and covering such insurable risks as are at all times reasonably satisfactory to Administrative Agent and with respect to coverage limits, the limits and coverages as in effect on the Closing Date (the "***Required Insurance***").[1] All policies relating to Required Insurance are to contain such other provisions as Administrative Agent reasonably may require to fully protect Administrative Agent's and Lenders' interest in the Collateral and to any payments to be made under such policies. All professional and general liability insurance policies, including umbrella/excess policies, relating to Required Insurance shall name Administrative Agent, on behalf of itself and the Lenders, as an "additional insured," and all property insurance policies relating to Required Insurance shall name Administrative Agent, on behalf of itself and the Lenders, as lender's loss payee. Each loss payable endorsement in favor of Administrative Agent, on behalf of itself and the Lenders, shall provide (x) for not less than thirty (30) days prior written notice to Administrative Agent of the exercise of any right of cancellation or material alteration and (y) that Administrative Agent's, on behalf of itself and the Lenders, right to payment under any property insurance policy will not be invalidated by any act or neglect of, or any breach of warranty or condition by, Borrowers (or any of them) or any other party. If an Event of Default shall have occurred and remain outstanding, Administrative Agent shall have the sole right, in the name of Administrative Agent, on behalf of itself and the Lenders, or Borrowers (or any of them), to file claims under any insurance policies, to receive, receipt and give acquittances for any payments that may be payable thereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies. In the event any Borrower or any other Credit Party fails to provide Administrative Agent with evidence of the Required Insurance in the manner set forth in this Section 5.4, Administrative Agent (for the benefit of itself and the Lenders) may, following three (3) days' written notice to Borrower Representative, purchase insurance at Borrowers' expense to protect Administrative Agent's and the Lenders' interests in the Collateral. The insurance purchased by Administrative Agent (for the benefit of itself and the Lenders) may, but need not, protect Borrowers' interests in the Collateral, and therefor such insurance may not pay any claim that any Borrower may make or any claim that is made against any Borrower in connection with the Collateral. Borrowers may later request that Administrative Agent cancel any insurance

[1] Ally still reviewing.

purchased by Administrative Agent, but only after providing Administrative Agent with satisfactory evidence that Borrowers have the Required Insurance. If Administrative Agent purchases insurance covering all or any portion of the Collateral, Borrowers shall be responsible for the costs of such insurance, including interest (at the applicable rate set forth hereunder for Revolving Loans) and other charges accruing on the purchase price thereof, until the effective date of the cancellation or the expiration of the insurance, and Administrative Agent may add all of such costs, interest and other charges to the Obligations. The costs of the premiums of any insurance purchased by Administrative Agent may exceed the costs of insurance that Borrowers may be able to purchase on their own.

5.5 Compliance With Laws. Each Borrower and each other Credit Party shall and shall cause any Manager to comply with the requirements of all Applicable Laws (including without limitation any Environmental Laws and Healthcare Laws) and obtain, maintain and comply with all Governmental Authorizations and Healthcare Authorizations, in each instance, applicable to it or to its business or property, in each case except to the extent any failure to comply with the foregoing could not reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, if any Environmental Release occurs at any Healthcare Facility or any other properties of any Borrower or any other Credit Party, the applicable Borrower or other Credit Party shall act promptly and diligently to investigate and report to Administrative Agent and all appropriate Governmental Authorities the extent of, and to make appropriate remedial action to eliminate, such Environmental Release, whether or not directed to do so by any Governmental Authority.

5.6 Books and Records. Each Borrower and each other Credit Party shall (a) maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP, consistently applied shall be made of all financial transactions and matters involving the assets and business of such Borrower or such other Credit Party; and (b) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over such Borrower or such other Credit Party. Each Credit Party shall maintain or cause to be maintained at all times books and records pertaining to the Collateral in such detail, form and scope as Administrative Agent shall reasonably require.

5.7 Inspection Rights; Field Audits. Each Borrower and each other Credit Party will cause the Bankruptcy Court to provide access, pursuant to court order, to and will permit (and shall direct each Subsidiary and any Manager to permit) agents, representatives, consultants and other independent contractors of Administrative Agent to visit and inspect any of its Healthcare Facilities and other properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, and to conduct a field examination and audit of the Collateral, all at the expense of Borrowers and at such reasonable times during normal business hours and as often as may be reasonably desired (provided that so long as no Event of Default exists, not more than once every three (3) months), and so long as no Event of Default exists, upon reasonable advance notice to Borrower Representative.

5.8 Landlord and Warehouse Agreements. Each Borrower and each other Credit Party shall, upon request, provide Administrative Agent with copies of all existing agreements, and promptly after execution thereof provide Administrative Agent with copies of all future agreements, between any Borrower, any other Credit Party and any landlord, warehouseman, processor, shipper, bailee or other Person that owns any premises at which any Collateral may be kept or that otherwise may possess or handle any Collateral and obtain a Collateral Access Agreement with any such landlord, warehouseman, processor, shipper, bailee or other Person. Upon Administrative Agent's request, each Borrower and each other Credit Party shall deliver to Administrative Agent fully-executed agreements, in form and substance satisfactory to Administrative Agent, between each Borrower and each other Credit Party, the Administrative Agent and the Credit Parties' vendors that provide off-site data storage, network hosting

or management, shared application services or other "cloud-based" services to Borrowers or other Credit Parties, which shall provide Administrative Agent with such access to Borrowers' and other Credit Parties' billing and Accounts records as Administrative Agent deems necessary or helpful in connection with Administrative Agent's and Lenders' audit and inspection rights under the Loan Documents and the collection or realization of or on the Collateral.

5.9 Licenses. Each Borrower and each other Credit Party shall (a) keep each License affecting any Collateral or any other properties and assets of any Credit Party in full force and effect, and pay all Royalties, in each case, except where the failure to do so would not reasonably be likely to result in a Material Adverse Effect (each such License shall be referred to herein as a "***Material License***"); (b) promptly notify Administrative Agent of any proposed modification to any Material License, or entry into any new Material License, in each case at least ten (10) days prior to its closing date; and (c) notify Administrative Agent of any default or breach (beyond any applicable cure period) asserted by any Person to have occurred under any Material License.

5.10 Healthcare Operations.

(a) Each Borrower and each other Credit Party shall maintain in full force and effect, and free from restrictions, probations, conditions or known conflicts which would materially impair the use or operation of any Healthcare Facility for its current use, all Healthcare Authorizations necessary under Healthcare Laws (A) to carry on the business of Borrowers as it is conducted on the Closing Date, and (B) to continue to receive reimbursement thereunder in substantial compliance with all requirements for participation in, and for the licensure required to provide the Healthcare Services that are reimbursable under, any Third-Party Payor programs as to which any Borrower or any other Credit Party receives or has applied for reimbursement as part of its business.

(b) Each Borrower and each other Credit Party shall cause all Healthcare Authorizations and any other agreements necessary for the use and operation of the Healthcare Facilities or as may be necessary for participation in Third-Party Payor programs to remain in full force and effect.

(c) Each Borrower and each other Credit Party shall maintain a CCP to ensure that all aspects of its operations, its employees and healthcare providers under contract comply with all applicable Healthcare Laws, and shall, upon request, allow Administrative Agent and/or any outside consultants from time to time to review such CCP.

(d) If any Healthcare Facility is currently accredited by the Joint Commission, Borrower and each other Credit Party shall (i) maintain such accreditation in good standing and without limitation or impairment, (ii) timely submit to the Joint Commission a plan of correction for any deficiencies listed on any Joint Commission accreditation survey report, and (iii) cure all such deficiencies within such time frame as is necessary to preserve and maintain in good standing and without limitation or impairment such Joint Commission accreditation.

(e) Each Borrower and each other Credit Party shall timely file all cost reports, cost statements, documents, notices and other reports required to be filed by any Governmental Authority or any Third-Party Payor program. All such filings shall be complete and accurate in all material respects and shall comply with all requirements of Applicable Law and all conditions of participation, conditions of payment, contracts, standards, policies, manuals, procedures and other requirements of all applicable Third-Party Payor programs.

(f) All documentation, coding, billing and collection practices of each Borrower and each other Credit Party, and of any billing or collection agent acting on behalf of any Borrower or any

other Credit Party, shall be in compliance with all Applicable Laws and all conditions of participation, conditions of payment, contracts, standards, policies, manuals, procedures and other requirements of all applicable Third-Party Payor programs. Each Borrower and each other Credit Party shall document, code, bill and process claims for reimbursement and report and refund any overpayments received from Third-Party Payor programs in material compliance with all Applicable Law and Third-Party Payor programs.

(g) Each Credit Party shall use commercially reasonable efforts to obtain and provide to Administrative Agent upon request, (i) an accurate, complete and current list of all participation agreements with Third-Party Payors and (ii) Medicare certification letters, in each case, with respect to the business of such Credit Party.

(h) Each Credit Party shall maintain each CON required under applicable Healthcare Laws in full force and effect and free from restrictions or known conflicts which would materially impair the use or operation of such Healthcare Facility for its current use, and shall not permit any such CON to become provisional, probationary or restricted in any way, except for such restrictions existing on the Closing Date with respect to which such Healthcare Facility's operations are compliant.

5.11 Further Assurances. Each Borrower and each other Credit Party shall (a) execute and deliver to Administrative Agent promptly upon request such documents, instruments, certificates, assignments and other writings, and do such other acts necessary or desirable, to evidence, preserve and/or protect the Collateral and/or for the better and more effective carrying out of the intents and purposes of the Loan Documents, as Administrative Agent may reasonably require from time to time including the filing of a financing statement or financing statement change to establish or maintain the validity, perfection and priority of the security interest granted herein in the event of the name change of a Credit Party, delivery of certificated equity interests required to be pledged, execution and delivery of intellectual property security agreements or other actions that are necessary or desirable to perfect the Liens of Administrative Agent on the Collateral; (b) upon Administrative Agent's request therefor given from time to time, pay for reports of UCC, federal tax Lien, state tax Lien, judgment and pending litigation searches with respect to each Borrower and each other Credit Party, each such search to be conducted by search firms designated by Administrative Agent in each of the locations designated by Administrative Agent; and (c) comply with the requirements of all Applicable Laws in order to grant to Administrative Agent, for the benefit of itself and Lenders, valid and perfected First Priority security interests in the Collateral, with perfection, in the case of any investment property, deposit account or letter of credit, being effected by giving Administrative Agent control of such investment property or deposit account or letter of credit.

5.12 [Reserved].

5.13 Environmental Matters. In addition to and without limiting the generality of Section 5.5, each Credit Party shall (a) comply with all applicable Environmental Laws to the extent that noncompliance could reasonably be expected to have a Material Adverse Effect; (b) obtain and comply with any and all Governmental Authorizations required by applicable Environmental Laws to the extent that not obtaining and not complying with such licenses, approvals, notifications, and registrations could reasonably be expected to have a Material Adverse Effect; and (c) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under applicable Environmental Laws following any Environmental Release, and promptly comply with all lawful orders and directives of any Governmental Authority regarding such Environmental Laws, except orders and directives that are being challenged in good faith. Without limiting the generality of the foregoing, if any material Environmental Release occurs at or on any properties of any Credit Party, it shall act promptly and diligently to investigate and report the extent of such Environmental Release to Administrative Agent and, if required by Applicable Law, all appropriate Governmental Authorities, and,

to the extent required by Applicable Law, to take appropriate remedial action to address, such Environmental Release, whether or not directed to do so by any Governmental Authority.

5.14 Account Control Agreements. Each Credit Party shall maintain at all times a valid and enforceable account control agreement with respect to each Lockbox Account, the Concentration Account, the Borrower Operating Account and any other deposit account or securities account owned by any Credit Party (other than any deposit account dedicated exclusively to payroll purposes), in each case in form and substance satisfactory to Administrative Agent.

5.15 Patriot Act Compliance.

(a) Each Credit Party shall comply with the Patriot Act and all applicable requirements of Governmental Authorities having jurisdiction over such Credit Party or the Collateral, including those relating to money laundering and terrorism. Administrative Agent shall have the right to audit each Credit Party's compliance with the Patriot Act and all applicable requirements of any Governmental Authority having jurisdiction over any such Credit Party and the Collateral, including those relating to money laundering and terrorism. In the event that any Credit Party fails to comply with the Patriot Act or any such requirements of any such Governmental Authority, then Administrative Agent may, at its option, cause such Credit Party to comply therewith and any and all reasonable costs and expenses incurred by Administrative Agent in connection therewith shall be added to the Obligations, shall be secured by the Collateral and the other Loan Documents and shall be immediately due and payable. For purposes hereof, the term "***Patriot Act***" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as the same may be amended from time to time, and corresponding provisions of future laws.

(b) No Credit Party nor any officer, director, shareholder or partner in any Credit Party or member of such partner nor any owner of a direct or indirect interest in any Credit Party (a) is listed on any Government Lists, (b) is a person who has been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof, (c) has been previously indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense, or (d) is currently under investigation by any Governmental Authority for alleged criminal activity.

5.16 Reorganization Milestones. The Borrowers shall timely comply with the Reorganization Milestones, it being expressly understood that time is of the essence.

5.17 Bankruptcy Reports. Promptly after the sending, receiving or filing thereof, copies of all reports, motions, affidavits, statements and other documents that any Borrower sends, receives or files in connection with the Bankruptcy Cases, including all correspondence with the Bankruptcy Court, shall be delivered to Administrative Agent and Lenders.

5.18 Escrow of Asset Sale Proceeds and Deposits. Prior to the date on which the Obligations have been indefeasibly paid in full, all in accordance with the terms of this Agreement, and this Agreement has been terminated (or as otherwise expressly consented to by Administrative Agent on terms and conditions that are acceptable to Administrative Agent, which consent may be withheld in its sole discretion), all proceeds and deposits received by any Borrower in connection with any Asset Sale shall be held in escrow in a deposit account subject to a deposit account control agreement in favor of Administrative Agent (including all subaccounts thereof, the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled with any other funds of the Borrowers or otherwise. Administrative Agent, on behalf of the Lenders, is hereby granted a first priority Lien on the

Escrow Deposit Account and all proceeds of any Asset Sale, including any deposit provided by any Buyer in connection with any Asset Sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral hereunder. On the Revolving Loan Termination Date, Administrative Agent shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of each Revolving Loan, together with accrued and unpaid Obligations, with any remaining balance to be delivered to Borrowers; provided, however, that upon any Borrower's request and with the consent of the Administrative Agent (which consent may, for the avoidance of doubt, be withheld in its sole discretion), proceeds of any Asset Sales and deposits provided in connection with any Asset Sales may be disbursed to Specified Prepetition Secured Creditors on terms and conditions that are acceptable to the Administrative Agent in its sole discretion.

5.19 Post-Closing Items. Each Borrower and each other Credit Party shall satisfy the requirements, and provide to the Administrative Agent each of the agreements, instruments and documents, in each case described on Schedule 5.19 on or before the date specified for such requirement or delivery on Schedule 5.19 (or such later date as agreed to by the Administrative Agent in its sole discretion), and any failure of the Borrowers and Credit Parties to satisfy any such requirement or delivery shall constitute an immediate Event of Default.

ARTICLE 6 NEGATIVE COVENANTS

So long as any Lender shall have any commitment to make any Loan hereunder, or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, each Borrower and each other Credit Party that is a party hereto covenants and agrees as follows:

6.1 Liens. Each Borrower and each other Credit Party shall not create, incur, assume or suffer to exist any Lien upon any Collateral or any of its other property, assets or revenues, whether now owned or hereafter acquired, other than Permitted Liens. The designation of any Lien or other encumbrance as a Permitted Lien shall not limit the Administrative Agent's right to take a reserve against Availability with respect thereto. The prohibition provided for in this Section 6.1 specifically includes any effort by any Borrower, any Committee or any other party in interest in the Bankruptcy Cases to prime or create *pari passu* to any claims Liens or interests of the Administrative Agent and the Lenders, other than as set forth in the applicable Financing Order and irrespective of whether such claims, Liens or interests may be "adequately protected."

6.2 Investments. Each Borrower and each other Credit Party shall not make any Investments, except for Permitted Investments.

6.3 Indebtedness. Each Borrower and each other Credit Party shall not create, incur, assume or suffer to exist any Indebtedness, except for Permitted Indebtedness.

6.4 Loans. Each Borrower and each other Credit Party shall not make any loans or other advances of money to any Person, except (a) advances to an officer or employee for salary, travel expenses, commissions and similar items in the ordinary course of business; (b) prepaid expenses and extensions of trade credit made in the ordinary course of business; (c) deposits with financial institutions permitted hereunder; and (d) Permitted Intercompany Loans.

6.5 Asset Dispositions; Settlement of Debts. Each Borrower and each other Credit Party shall not make any Asset Disposition, except a Permitted Asset Disposition (whereupon the net proceeds of any such Permitted Asset Disposition shall be promptly deposited into the Escrow Deposit Account). Each Borrower and each other Credit Party shall not cancel or otherwise forgive or release any claim or

debt owed to such Borrower or such other Credit Party by any Person, except for adequate consideration and in the ordinary course of such Borrower's or such other Credit Party's business.

6.6 Distributions. Each Borrower and each other Credit Party shall not declare or make, directly or indirectly, any Distribution, or incur any obligation (contingent or otherwise) to do so.

6.7 Fundamental Changes; Change to Organization Documents. Each Borrower and each other Credit Party shall not (a) engage in any business activity not related to the ownership or operation of the Healthcare Facilities or any business substantially related or incidental thereto, (b) cease operating any material portion of the Healthcare Facilities or its business as conducted on the Closing Date, except with respect to the Seton Cash Burn Elimination Plan, (c) amend any of their respective Organization Documents in a manner adverse to any Credit Party or the Lenders, (d) change their jurisdiction of formation or organization or their type or form of organization (e.g., corporation or limited liability company), (e) change their name or identity (including trade name), (f) change their principal place of business, chief executive office, or location of any Collateral, without providing Administrative Agent at least thirty (30) days' prior written notice of such change in location, or (g) merge, dissolve, liquidate, or consolidate with or into another Person, or transfer (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person. No Borrower or other Credit Party will utilize or enter into any agreement with any remote access or internet-based/cloud-based billing services or records repository provider without first entering into such agreements with Administrative Agent and such service provider, in form and substance satisfactory to Administrative Agent, as Administrative Agent shall deem necessary or helpful in the collection or realization of or on its Collateral.

6.8 Transactions With Affiliates. Each Borrower and each other Credit Party shall not enter into any transaction of any kind with any of such Borrower's or such other Credit Party's Affiliates, except (a) transactions expressly permitted by the Loan Documents; (b) payment of regularly scheduled compensation to officers and employees, and loans and advances permitted by Section 6.4; (c) payment of reasonable directors' fees and directors' indemnities to natural Persons; (d) transactions solely between Credit Parties (provided no indebtedness may exist other than Permitted Intercompany Loans); and (e) transactions with Affiliates that were consummated on or prior to the Closing Date, as shown on Schedule 6.8.

6.9 Use of Proceeds. Each Borrower and each other Credit Party shall not use the proceeds of any Loans, whether directly or indirectly, and whether immediately, incidentally or ultimately, for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulation U or any other regulation of such Board of Governors, or for any purpose prohibited by Laws or any Loan Document.

6.10 Payroll Service. Verity Medical Foundation, as a Borrower, shall not fail to maintain a contractual relationship with a payroll tax service provider acceptable to Administrative Agent, in its reasonable discretion, at any time.

6.11 Certain Accounting Changes. Each Borrower and each other Credit Party shall not (a) change its Fiscal Year end or (b) make any change in its accounting treatment and reporting practices except as required or permitted by GAAP.

6.12 Healthcare Matters. Each Borrower and each other Credit Party shall not suffer or permit to occur any of the following:

(a) any transfer of a Healthcare Authorization or rights thereunder to any Person (other than a Borrower or Administrative Agent) or to any location other than a Healthcare Facility approved by Administrative Agent in advance in writing; or

(b) any rescission, withdrawal, revocation, amendment or modification of or other alteration to the nature, tenor or scope of any Healthcare Authorization without Administrative Agent's prior written consent, including (I) any change to the authorized licensed beds or units capacity of any Healthcare Facility and/or the number of licensed beds or units approved by the applicable Governmental Authority, and (II) any transfer all or any part of any Healthcare Facility's authorized units or licensed beds to another site or location.

Notwithstanding the foregoing, no Credit Party shall enter into arrangements which (i) provide remuneration to Persons in return for referrals to any Credit Party; (ii) receive remuneration from Persons in return for referrals by any Credit Party; or (iii) otherwise violate the provisions of the Federal health care program exclusion provisions (42 U.S.C. §1320a-7); the Civil Monetary Penalties Act (42 U.S.C. §1320a-7a), the Federal health care program fraud and abuse provision (42 U.S.C. §1320-7b) and other such Healthcare Laws.

6.13 ERISA. Each Borrower and each other Credit Party shall not engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Administrative Agent or any Lender of any of its rights hereunder or the other Loan Documents) to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA.

6.14 Management Agreement; Leases, Subordinated Indebtedness and other Material Contracts.

(a) Each Borrower and each other Credit Party shall not retain, substitute or replace any Manager or make or enter into, consent to any modification, amendment, assignment, termination or cancellation of any Management Agreement without the prior written consent of the Administrative Agent. The covenants, agreements and restrictions contained in this Section 6.14 are solely for the purposes of assuring that the Healthcare Facilities are managed and operated in a first-class manner consistent with Healthcare Laws and the preservation and protection of the Healthcare Facilities as security for the Obligations and shall not place responsibility for the control, care, management or repair of the Healthcare Facilities upon Administrative Agent or any Lender, or make Administrative Agent or any Lender responsible or liable for any negligence in the management, operation, upkeep, repair or control of the Healthcare Facilities. No Borrower shall suffer or permit any material breach or default to occur in any of such Borrower's obligations under any Management Agreement, nor suffer or permit the same to terminate by reason of any failure of such Borrower to meet any requirement thereof.

(b) Each Credit Party shall cause any Manager to enter into a Management Fee Subordination Agreement, in form and substance satisfactory to Administrative Agent, pursuant to which (i) all compensation due to such Manager is subordinated in right and time of payment to all Obligations hereunder, (ii) all compensation due to such Manager is subordinated in right and time of payment to all Obligations hereunder, and (iii) Administrative Agent has the right to terminate the engagement of such Manager upon or following the occurrence of any Default or Event of Default.

(c) No Borrower nor any other Credit Party shall amend, otherwise modify or terminate any Lease Agreement, Subordinated Indebtedness Document, Asset Sale Document or other Material Contract except as approved by the Administrative Agent.

6.15 Restrictive Agreements. Each Borrower and each other Credit Party shall not enter into any Restrictive Agreement, except (a) a Restrictive Agreement relating to secured Permitted Indebtedness, if such restrictions apply only to the collateral for such Permitted Indebtedness; and (b) customary provisions in leases and other contracts restricting assignment thereof or Liens in the assets or real property covered thereby.

6.16 Swap Agreements. Each Borrower and each other Credit Party shall not enter into any Swap Agreement.

6.17 IRS Form 8821; Federal Employer Identification Number. Each Borrower and each other Credit Party shall not alter, amend, restate, or otherwise modify, or withdraw, terminate or re-file the IRS Form 8821 required to be filed pursuant to Section 3.1(f). No Borrower or other Credit Party shall change its federal employer identification number.

6.18 Burdensome Agreements. Each Borrower and each other Credit Party shall not, directly or indirectly, enter into any Contractual Obligation (other than this Agreement and any other Loan Document) that (a) limits the ability (i) of any Credit Party or any Subsidiary to make Distributions to any Credit Party or to otherwise transfer property to any Credit Party, (ii) of any Credit Party or any Subsidiary to guarantee the Indebtedness of any Credit Party or (iii) of any Credit Party or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person (other than Permitted Liens and customary anti-assignment provisions in leases, sub-lease, licenses, sub-licenses and contracts); or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

6.19 Interim Order; Final Order; Asset Sale Order; Administrative Expense Priority; Payments.

(a) No Borrower will seek, consent to or suffer to exist at any time any modification, stay, vacation or amendment of the Interim Order, the Final Order or any Asset Sale Order, except for modifications and amendments joined in or agreed to in writing by Administrative Agent.

(b) No Borrower will suffer to exist at any time a priority for any administrative expense or unsecured claim against any Borrower (now existing or hereafter arising of any kind or nature whatsoever, including, without limitation, any administrative expense of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code) equal or superior to the priority of Administrative Agent and the Lenders in respect of the Obligations, except for the Carve-Out.

(c) Prior to the date on which the Obligations have been indefeasibly paid in full, all in accordance with the terms of this Agreement, and this Agreement has been terminated, no Borrower will (i) pay any administrative expenses pursuant to Section 503(b) of the Bankruptcy Code, except (A) administrative expenses incurred in the ordinary course of business of the Borrowers or approved by an order of the Bankruptcy Court and (B) Allowed Fees payable under Section 330 and 331 of the Bankruptcy Code, or (ii) permit or seek to permit the granting of adequate protection in favor of any Person.

(d) Except as provided in the Financing Orders, no Borrower will waive any claims under Section 506(c) of the Bankruptcy Code, or take any other action Administrative Agent deems adverse to Administrative Agent or the Lenders or their rights and remedies under the Loan Documents.

6.20 Bankruptcy Actions.

(a) No Borrower shall enter into any agreement to return any of its inventory or other Collateral outside the ordinary course of business to any of its creditors for application against any prepetition Indebtedness, prepetition trade payables, or other prepetition claims under Section 546(h) of the Bankruptcy Code or allow any creditor to take any setoff or recoupment against any of its prepetition Indebtedness, prepetition trade payables, or other prepetition claims based upon any such return pursuant to Section 553(b)(1) of the Bankruptcy Code or otherwise.

(b) No Borrower shall make (i) any payments on account of any creditor's claims against any Borrowers (including any defeasance with respect to any bonds or other Indebtedness) or, except pursuant to the Budget, any other payments or transfers with respect to any Lien or Indebtedness, (ii) payments on account of claims or expenses arising under Section 503(b)(9) of the Bankruptcy Code, (iii) payments in respect of a reclamation program, or (iv) payments under any management incentive plan or on account of claims or expenses arising under Section 503(c) of the Bankruptcy Code, except in each case, in amounts and on terms and conditions that (A) are approved by order of the Bankruptcy Court and (B) are expressly permitted by the Budget, or otherwise approved by the Administrative Agent in writing. Without limiting the foregoing, no Borrower shall make any adequate protection payments (including any adequate protection payment to a Specified Prepetition Secured Creditor otherwise permitted hereby or by the Financing Orders) during the continuance of a Default or Event of Default.

(c) No Borrower shall insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law wherever enacted (to the extent that it may lawfully do so), now or at any time hereafter in force, that may affect the covenants or the performance of its obligations under this Agreement or the other Loan Documents, and each Credit Party hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to Lenders, but shall suffer and permit the execution of every such power as though no such law has been enacted. Without limiting the foregoing, no Borrower shall obtain, or seek to obtain, any stay on the exercise of the remedies of the Administrative Agent or any Lender hereunder, under any Loan Document or the Financing Orders.

(d) No Borrower shall incur, create, assume, suffer to exist or permit any other super-priority administrative claim which is *pari passu* with or senior to the claims of Administrative Agent and the Lenders against the Borrowers, except as set forth in the applicable Financing Order.

(e) No Borrower shall seek, consent to, or permit to exist, without the prior written consent of the Administrative Agent, any order granting authority to take any action that is prohibited by the terms of this Agreement or the other Loan Documents or refrain from taking any action that is required to be taken by the terms of this Agreement or any of the other Loan Documents.

6.21 Right of Subrogation. No Credit Party shall assert any right of subrogation or contribution against any Credit Party or Subsidiary.

6.22 Subsidiaries. No Credit Party shall create or acquire any Subsidiary other than the Subsidiaries listed on Schedule 4.14.

ARTICLE 7 FINANCIAL COVENANTS

7.1 Maximum Budget Variance. Except as otherwise approved by Administrative Agent, Borrowers shall not permit the (a) aggregate actual disbursements under the Budget for any Test Period

(as tested weekly) to exceed the aggregate budgeted disbursements for such Test Period by more than seven and one half percent (7.5%) of the aggregate budgeted amount for such Test Period; provided that with respect to the foregoing clause (a), the amount by which the actual disbursements thereunder during such period are less than the relevant budgeted disbursements may be carried forward to reduce the disbursements under clause (a) in the next succeeding periods until used in full; or (b) aggregate actual cash receipts under the Budget for any Test Period (as tested weekly) to be less ninety-two and one half percent (92.5%) of the aggregate budgeted cash receipts for such Test Period; provided that with respect to the foregoing clause (b), the amount by which the actual cash receipts thereunder during such period are greater than the relevant budgeted cash receipts may be carried forward to increase the cash receipts under clause (b) in the next succeeding periods until used in full.

7.2 Minimum Liquidity. From the entry of the Interim Order until the entry of the Final Order, Minimum Liquidity shall not be less than the greater of $3,000,000 and 10% of Availability, as tested weekly for the most recent Test Period then ended. After entry of the Final Order, Minimum Liquidity shall not be less than the greater of $10,000,000 and 10% of Availability, as tested weekly for the most recent Test Period then ended; provided, however, Minimum Liquidity shall not be less than the greater of $15,000,000 and 15% of Availability, as tested weekly for the most recent Test Period then ended, if (i) the Borrowers have failed to file with the Bankruptcy Court within thirty (30) days following the Petition Date either (A) the Saint Louise/O'Connor Hospital Bid Procedures Motion, or (B) the Consolidated Sale Motion, in each case unless and until either the Saint Louise/O'Connor Hospital Bid Procedures Motion or the Consolidated Sale Motion is thereafter filed with the Bankruptcy Court within sixty (60) days following the Petition Date, or (ii) the Borrowers have failed to present to the Administrative Agent the Seton Cash Burn Elimination Plan within sixty (60) days following the Petition Date.

ARTICLE 8 NOTICES AND REPORTING

8.1 Notices.

(a) All notices, consents, approvals and requests required or permitted hereunder or any other Loan Document shall be given in writing and shall be effective for all purposes if either hand delivered with receipt acknowledged, or by a nationally recognized overnight delivery service (such as Federal Express), or by certified or registered United States mail, return receipt requested, postage prepaid, or, with respect to routine or administrative notices (but specifically excluding notices of Default, Events of Default or acceleration of the Loans) by electronic mail, in each case addressed as follows (or to such other address or Person as a party shall designate from time to time by notice to the other party):

If to Administrative Agent:

Ally Bank
3 Bethesda Metro Center, Suite 792
Bethesda, MD 20814
Attention: Portfolio Manager
Telecopier No.: (301) 657-9776

with a copy to:

Ally Bank
300 Park Avenue, 4th Floor
New York, New York 10022
Attention: Legal Services

Telecopier No.: 212-884-7189

and

Waller Lansden Dortch & Davis, LLP
511 Union Street, Suite 2700
Nashville, TN 37219
Attn: Gerald Mace and David Lemke

If to a Lender, to the address of such Lender listed on the signature pages hereof;

If to a Borrower:

Verity Health Systems of California, Inc.
2040 E. Mariposa Ave
El Segundo, CA 90245
Attention: Anita Chou
Telecopier No.: ( ) -

with a copy to:

Verity Health Systems of California, Inc.
2040 E. Mariposa Ave
El Segundo, CA 90245
Attention: Elspeth Delaney-Paul, General Counsel
Telecopier No.: ( ) -

A notice given hereunder or any other Loan Document shall be deemed to have been given: in the case of hand delivery, at the time of delivery; in the case of registered or certified mail, when delivered or the first attempted delivery on a Business Day; in the case of overnight delivery, upon the first attempted delivery on a Business Day; or, in the case of electronic mail, at the time of delivery.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that, the foregoing shall not apply to notices to any Lender pursuant to Article 2 if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article 2 by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that, approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided that, if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an internet or intranet

website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF ANY MATERIALS OR INFORMATION PROVIDED BY OR ON BEHALF OF THE BORROWERS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM ANY MATERIALS OR INFORMATION PROVIDED BY OR ON BEHALF OF THE BORROWERS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH ANY MATERIALS OR INFORMATION PROVIDED BY OR ON BEHALF OF THE BORROWERS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Affiliates, partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives (collectively, the "***Agent Parties***") have any liability to the Borrowers, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrowers' or the Administrative Agent's transmission of any materials or information provided by or on behalf of the Borrowers through the internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrowers, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages). As used in this Section 8.1, "***Platform***" means any electronic system, including Intralinks®, ClearPar® and any other internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent, any other Agent Party or any other Person, providing for access to data protected by passcodes or other security system.

8.2 Required Notices from Credit Parties. Each Borrower and each other Credit Party shall promptly, and in any event within three (3) Business Days after such Person or any Authorized Officer of such Person obtains knowledge thereof, provide telephonic and written notice to Administrative Agent and each Lender of any of the following applicable to it:

(a) the commencement of any litigation, proceedings or investigations, including those by or before any Governmental Authority, and all actions and proceedings in any court or before any arbitrator against or involving any Borrower or any other Credit Party or any of its properties, assets or businesses in which the amount of claimed damages, fines or other liabilities is $500,000 or more;

(b) any Material Citation or other notice of any material violation received by any Borrower or any other Credit Party from any Governmental Authority, including any notice of violation of Healthcare Laws or Environmental Laws or any rescission or threatened revocation of any Healthcare Authorization;

(c) any attachment, judgment, Lien, levy or order exceeding $250,000.00 that may be assessed against any Borrower or any other Credit Party;

(d) the occurrence of any "reportable event" (as defined in ERISA) which might result in the termination by the PBGC of any Plan covering any officers or employees of any Credit Party, any benefits of which are, or are required to be, guaranteed by the PBGC, (y) receipt of any notice from

the PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor or (z) its intention to terminate or withdraw from any Plan;

(e) the occurrence of any Default or Event of Default;

(f) any material Environmental Release by any Credit Party or on any Healthcare Facility or any other property owned, leased or occupied by any Credit Party; or receipt of any Environmental Notice;

(g) copies of all material reports, if any, submitted to any Borrower, its Board of Directors or members by its independent public accountants in connection with their auditing function, including any management report and any management responses thereto or any notice given or received regarding the discharge of or any withdrawal or resignation by any Borrower's or Credit Party's certified independent accountants;

(h) promptly after any material property owned or used by any Borrower or any other Credit Party is materially damaged or destroyed, or suffers any other material loss in excess of $1,000,000;

(i) (i) the receipt of any complaint, notice or request from any Governmental Authority or Government Reimbursement Program regarding any investigation or claim of liability, (ii) any pending, threatened or actual investigation or survey of any Borrower, any other Credit Party, or their directors, officers or managing employees by any Third-Party Payor, (iii) any Borrower or any other Credit Party becoming a party to a corporate integrity agreement with the Office of Inspector General of the Department of Health and Human Services, (iv) any Borrower or any other Credit Party entering into any settlement agreement with any Governmental Authority, (v) any Borrower or any other Credit Party becoming a defendant in any qui tam/False Claims Act litigation, (vi) any Borrower or other Credit Party being served with or receiving any search warrant, subpoena, civil investigative demand or contact letter by or from any federal or state enforcement agency relating to an investigation, but only to the extent that a Borrower or other Credit Party or any Contract Provider material to the applicable Healthcare Facility is the subject of any such investigation, or (viii) any Borrower or other Credit Party becoming subject to any written complaint filed with or submitted to any Governmental Authority having jurisdiction over such Borrower or Credit Party or filed with or submitted to such Borrower or such Credit Party pursuant to their policies relating to the filing or submissions of such types of complaints, from employees, independent contractors, vendors, physicians, or any other Person that would indicate that such Borrower or such Credit Party has violated any Law; the violation thereof which could reasonably be expected to have a Material Adverse Effect;

(j) the receipt of any cost reports, operating surveys, rate reports, rate computation reports, licensing reports, deficiency notices, recoupment orders or similar reports from any Government Reimbursement Program, each together with true and correct copies thereof;

(k) any termination or default (after the lapse of any cure period) or any material notice given or received by a Borrower or any other Credit Party under any Material Contract;

(l) the assertion of any Intellectual Property claim, if an adverse resolution could reasonably be expected to have a Material Adverse Effect; or

(m) the occurrence of any event or circumstance that could reasonably be expected to result in a Material Adverse Effect.

8.3 Borrowing Base Certificates. Each time a Loan is requested and, in any event and regardless of whether a Loan is being requested, not later than Thursday of each week during the Availability Period (and more frequently if Administrative Agent shall request from time to time), Borrower Representative shall deliver to Administrative Agent and each Lender: (A) a Borrowing Base Certificate in form and substance satisfactory to Administrative Agent and signed by an Authorized Officer of Borrower Representative, (B) an aging of gross accounts receivable for Borrowers in form and substance satisfactory to Administrative Agent, and (C) such other information in respect of Eligible Accounts and other Collateral as Administrative Agent may reasonably request, all prepared in accordance with GAAP and in a form reasonably satisfactory to Administrative Agent.

8.4 Financial Statements, Compliance Certificates and Projections.

(a) Weekly.

(i) Commencing on the second Wednesday after the Petition Date and continuing on Wednesday of each week thereafter, Borrowers shall provide a "Variance Report" to Administrative Agent, certified by an Authorized Officer of each Borrower, containing (A) a reconciliation for the immediately preceding week (or two weeks, with respect to the first such report) of budgeted and actual revenue and expense/disbursement amounts, noting therein all variances, on a line-item basis, from amounts set forth for such period in the Cash Flow Forecast, (B) a written narrative explanation (including (1) the cause of the variance, (2) whether this variance is expected to impact the Budget, (3) if known, the degree to which the variance is a permanent variance from the Budget and (4) if appropriate, how the source of such variance will be addressed in subsequent forecasts) if (w) actual disbursements under any line item on the Budget for any week or the then most recently ended Test Period exceed the budgeted disbursements for either such period in such line item by more than ten percent (10%), (x) aggregate actual disbursements under the Budget for any week or the then most recently ended Test Period exceed the aggregate budgeted disbursements for either such period by more than seven and one half percent (7.5%), (y) actual cash receipts under any line item on the Budget for any week or the then most recently ended Test Period are less than ninety percent (90%) of the budgeted cash receipts for either such period in such line item or (z) aggregate actual cash receipts during any week or the then most recently ended Test Period are less than ninety-two and one half percent (92.5%) of aggregate projected cash receipts set forth in the Budget for either such period, (C) an update of the Cash Flow Forecast to reflect the prior week's actual cash receipts and disbursements, and, as appropriate, an update to the remaining weeks under the then-current Cash Flow Forecast, and (D) an aged report listing current gross accounts receivable and current postpetition accounts payable.

(ii) Contemporaneously with delivery of the Variance Report referred to in clause (a)(i) above, Borrowers shall deliver to Administrative Agent and each Lender a Compliance Certificate executed by an Authorized Officer of Borrower Representative.

(b) Monthly.

(i) As soon as available, but in no event later than thirty (30) days after the last day of each calendar month, Borrowers shall deliver to Administrative Agent and each Lender consolidated and consolidating financial statements of Borrowers, the other Credit Parties and their Subsidiaries for such month certified by an Authorized Officer of Borrower Representative, which consolidated and consolidating financial statements shall include the consolidated and consolidating balance sheet of Borrowers, the other Credit Parties and their Subsidiaries at the end of such month and the consolidated and consolidating statement of

income, statement of retained earnings and statement of cash flows for such month, all of which shall be in reasonable detail and prepared in accordance with GAAP.

(ii) Contemporaneously with delivery of financial statements referred to in clause (a)(i) above, Borrowers shall deliver to Administrative Agent and each Lender: (A) a Compliance Certificate executed by an Authorized Officer of Borrower Representative, (B) evidence satisfactory to Administrative Agent that all federal and state taxes to the extent such federal and state taxes are due, if any, have been paid in full, including payroll taxes, and (C) a reconciliation of the account trial balance for accounts receivable to the general ledgers.

(iii) On the first Thursday of each month following the Petition Date, Borrowers shall deliver to Administrative Agent and each Lender (A) an updated "rolling" 13-week Cash Flow Forecast in a form similar to the Initial Cash Flow Forecast, which, once approved in writing by the Administrative Agent in its reasonable discretion, shall supplement and replace the prior Cash Flow Forecast without further notice, motion, application to, order of, or hearing before the Bankruptcy Court; (B) a reconciliation of the immediately preceding month's budgeted and actual revenue and expense/disbursement amounts to the corresponding period in the Initial Budget; (C) if there has been a material change in the then current Budget (and in any case if requested by Administrative Agent) an updated budget in a form similar to the Initial Budget (the most recent such updated Budget, the "***Updated Budget***"), which, once approved in writing by the Administrative Agent in its reasonable discretion, shall supplement and replace the prior Budget without further notice, motion, application to, order of, or hearing before the Bankruptcy Court; and (D) if an Updated Budget has been delivered, a reconciliation of the immediately preceding month's budgeted and actual revenue and expense/disbursement amounts to the corresponding period in the Updated Budget.

(c) [Reserved].

(d) Annually.

(i) As soon as available and in any event within one hundred twenty (120) days after the last day of each Fiscal Year, Borrowers shall deliver to Administrative Agent and each Lender: (A) the consolidated and consolidating balance sheet of Borrowers, the other Credit Parties and their Subsidiaries as at the end of such Fiscal Year and the related consolidated and consolidating statements of income, stockholders' equity and cash flow for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the previous Fiscal Year, in reasonable detail and consistent in all material respects with the manner of presentation as of the Closing Date and (B) which shall be certified by an Authorized Officer of Borrower Representative.

(e) Upon Request. Borrowers shall deliver to Administrative Agent and Lenders such other financial reports and other information regarding the operations, business affairs and financial condition of Borrowers and the other Credit Parties as Administrative Agent may reasonably request.

8.5 Protected Health Information. All written information, reports, statements and other papers and data furnished by or on behalf of each Borrower and each other Credit Party to Administrative Agent and Lenders shall be furnished by each Borrower and each other Credit Party in material compliance with all Applicable Laws regarding the use and/or disclosure of patient health information, including, but not limited to, regulations, standards and rules promulgated under the HIPAA. Each Borrower and each other Credit Party, agrees not to include or disclose any "protected health

information" in any such information, reports, statements and other papers or data furnished by or on behalf of each Borrower and each other Credit Party to Administrative Agent and Lenders and further agrees to indemnify Administrative Agent and each Lender pursuant to Section 11.15 for any Indemnified Liabilities Administrative Agent or any Lender may incur as a result of the provision of any "protected health information," other than any breach by Administrative Agent or such Lender that results from its own gross negligence or willful misconduct.

ARTICLE 9 DEFAULTS AND REMEDIES

9.1 Events of Default. An "Event of Default" shall exist hereunder if any of the following shall occur:

(a) **Payment**: If any Borrower fails to make any payment of principal on the Loans when due, including any overadvance pursuant to Section 2.5, or fails to make any payment of interest when due and such failure shall continue unremedied for a period of two (2) Business Days;

(b) **Other Obligations**: If any Borrower fails to make any payment of fees, Expenses or other monetary obligations (other than as described in Section 9.1(a)), arising out of or incurred in connection with this Agreement and the other Loan Documents on the date any such payment is due and payable, and such failure continues for a period of three (3) Business Days;

(c) **Covenants**: If any Borrower or any other Credit Party:

(i) shall be in violation, breach or default of, or shall fail to perform, observe or comply with any covenant, obligation or agreement set forth in (A) Sections 5.2, 5.4, 5.7, 5.11, 5.14 or 5.16 of this Agreement or (B) Article 6, Article 7 (at such time as written notice thereof is given to Borrowers by Administrative Agent) or Article 8 of this Agreement; or

(ii) shall be in violation, breach or default of, or shall fail to perform, observe or comply with, any other covenant, obligation or agreement in this Agreement or any other Loan Document (other than any such covenant, obligation or agreement described in Sections 9.1(a), 9.1(b), or 9.1(c)(i) above), and such violation, breach, default or failure continues for a period of thirty (30) calendar days after the earlier of (i) the date on which any Authorized Officer of any Borrower or other Credit Party first knew or became aware (or should have known or been aware) of such failure, violation, breach or default, and (ii) the date on which written notice thereof is given to Borrowers by Administrative Agent;

(d) **Representations, Warranties and Information**: If any representation or warranty made, or financial or other information provided, by any Borrower or any other Credit Party or Affiliate thereof in this Agreement and any other Loan Document, or in any report, certificate, financial statement or other instrument, agreement or document that is delivered in connection with the Loan Documents shall be false or misleading in any material respect (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the date the representation or warranty was made or the financial or other information was provided;

(e) **[Reserved]**;

(f) **Other Indebtedness**: If (i) any Borrower or any other Credit Party shall default beyond any grace period in the payment of principal or interest of any Indebtedness of such Credit Party in excess of $100,000 in the aggregate to any Person (other than to the Administrative Agent and Lenders

under Section 9.1(a) or (b)), or (ii) any Borrower or any other Credit Party otherwise defaults under the terms of any such Indebtedness and the holder of such Indebtedness accelerates the payment of such Credit Party's obligations thereunder prior to the maturity date or prior to the regularly scheduled date of payment (without regard to the provisions of any intercreditor agreement that would restrict the ability of the holder to so accelerate or exercise any remedies), in the case of (i) or (ii), other than defaults existing prior to the Petition Date or occurring solely as a result of the commencement of the Bankruptcy Cases or resulting from a Permitted Asset Disposition or entry into the Financing Orders;

(g) **Loan Documents Validity and Enforceability**: The validity or enforceability of any Loan Document shall at any time for any reason be declared to be null and void, or a proceeding shall be commenced by any Borrower, any other Credit Party or any Affiliate thereof, or by any Governmental Authority, seeking to establish the invalidity or unenforceability thereof, or any Borrower or any other Credit Party or any Affiliate of any of the foregoing that is a party thereto shall deny that it has any liability or obligation purported to be created under any Loan Document or shall otherwise attempt to rescind any of their obligations under the Loan Documents;

(h) **Loan Documents**: The occurrence of any event identified in any other Loan Document as an Event of Default;

(i) **Liens**: If any Lien in favor of Administrative Agent shall cease to be a valid, enforceable First Priority Lien or if any Borrower, any Credit Party, any Affiliate of any of the foregoing or any Governmental Authority shall assert any of the foregoing;

(j) **Deposit Account Agreement Instructions**: If (i) any instruction or agreement relating to any Lockbox Account, or any related depository account is amended or terminated without the written consent of Administrative Agent, (ii) any Credit Party instructs or gives any notice to a Deposit Account Bank to cause amounts on deposit in any Lockbox Account to be transferred or disposed of other than as required under Section 2.4, (iii) any Borrower fails to forward any Collections to the applicable Lockbox Account as required under Section 2.4, (iv) any Borrower directs any Account Debtor to make a payment in respect of any Account to any place or deposit account other than the applicable Lockbox Account as required under Section 2.4, or (v) any Borrower fails to remit any other Collections it receives to the Concentration Account in the time period provided under Section 2.4;

(k) **Healthcare Laws and Healthcare Authorizations**: If any of the following shall occur:

(i) any Healthcare Authorizations of any Borrower or any other Credit Party necessary for the operation of any Healthcare Facility in all material respects as presently operated shall be revoked, fail to be renewed, restricted, suspended or terminated;

(ii) any Borrower or any other Credit Party shall fail to be eligible for any reason to participate in any Government Reimbursement Program or to accept assignments or rights to reimbursement thereunder;

(iii) any Non-Government Payor shall terminate, revoke or fail to renew any Borrower's or any other Credit Party's right to participate in any program that provides reimbursement for Healthcare Services, and such termination, revocation or failure to renew has or could reasonably be expected to have a Material Adverse Effect;

(iv) any Credit Party or any Authorized Officer shall have been found guilty of an act of fraud or shall have been indicted for or convicted of a felony crime that relates to any

Healthcare Services, any Government Reimbursement Program or any other reimbursement program with a Third-Party Payor; or

(v) If any Credit Party is found to have been overpaid by a Government Account Debtor by more than $1,000,000 (individually or the aggregate) during any period covered by an audit conducted by such Government Account Debtor, and such overpayment is not repaid within 30 days of its due date or subject to an extended repayment plan or similar agreement with a Governmental Authority, unless the same is being contested in good faith and reserved for in a manner reasonably acceptable to the Administrative Agent;

(l) **Material Contracts**: If (i) a default or event of default shall occur under any Material Contract, any Asset Sale Document or any Lease Agreement that has not been cured within the time period set forth therein, or (ii) the termination of any Material Contract or any Lease Agreement;

(m) **Change of Control**: If any Change of Control shall occur;

(n) **Judgments**: If one or more judgments, orders, or awards for the payment of money involving an aggregate amount of $250,000, or more (except to the extent fully covered by insurance pursuant to which the insurer has not denied coverage) is entered or filed against any Borrower or any other Credit Party, or with respect to any of their respective assets, and either (a) there is a period of thirty (30) consecutive days at any time after the entry of any such judgment, order, or award following obtaining relief from the automatic stay during which (1) the same is not discharged, satisfied, vacated, or bonded pending appeal, or (2) a stay of enforcement thereof is not in effect, or (b) enforcement proceedings are commenced upon such judgment, order, or award;

(o) **Material Adverse Change**: If any material adverse change occurs in the Collateral, business, property, assets, prospects, operations or condition, financial or otherwise of any Borrower or any other Credit Party, or the occurrence of any other event which has or would have a Material Adverse Effect;

(p) **Admissions Default**: Any Governmental Authority ceases to permit new patients to be admitted to any Healthcare Facility other than in connection with the Seton Cash Burn Elimination Plan or Permitted Asset Dispositions; or

(q) **Bankruptcy Defaults**:

(i) if (i) any of the Bankruptcy Cases is converted to a case under Chapter 7 of the Bankruptcy Code, or (ii) any of the Bankruptcy Cases is dismissed, or (iii) any Credit Party shall file a motion or other pleading seeking the dismissal of the Bankruptcy Cases under Section 1112 of the Bankruptcy Code or otherwise or the conversion of the Bankruptcy Cases to Chapter 7 of the Bankruptcy Code;

(ii) if a Chapter 11 trustee, receiver or an examiner with enlarged powers relating to the operations of the Borrowers' business (beyond those set forth under Sections 1106(a)(3) and (4) of the Bankruptcy Code) is appointed pursuant to Section 1104 of the Bankruptcy Code in any of the Bankruptcy Cases;

(iii) except with respect to the Carve-Out, the existence of any claims or charges, or the entry of any order of the Bankruptcy Court authorizing any claims or charges entitled to any super-priority administrative expense claim status or any Lien that is *pari passu*

with or senior to those of Administrative Agent and the Lenders is granted to any Person other than Administrative Agent;

(iv) the entry of any order by the Bankruptcy Court granting, or the filing by any Credit Party or any of its Subsidiaries of any motion or other request with the Bankruptcy Court (in each case, other than the Financing Orders and motions seeking entry thereof or permitted amendments or modifications thereto) seeking, authority to use any cash proceeds of any of the Collateral without the Administrative Agent's consent or to obtain any financing under Section 364 of the Bankruptcy Code, in each case, other than as permitted by the Loan Documents or the Financing Orders

(v) if any Credit Party shall file a motion seeking, or the Bankruptcy Court shall enter an order granting, relief from or modifying the automatic stay of Section 362 of the Bankruptcy Code (A) to allow any creditor (other than the Administrative Agent) to execute upon or enforce a Lien on any Collateral having a value in excess of $50,000, (B) approving any settlement or other stipulation not approved by the Administrative Agent with any secured creditor of any Credit Party providing for payments as adequate protection or otherwise to such secured creditor, (C) with respect to any Lien of or the granting of any Lien on any Collateral to any federal, state or local environmental or regulatory agency or authority, which in either case involves a claim of $100,000 or more or (D) permit other actions not permitted hereunder that could reasonably be expected to have a Material Adverse Effect;

(vi) if any Borrower's or Guarantor's Board of Directors (or other governing body) shall authorize the liquidation of such Borrower's or Guarantor's business pursuant to one or more Section 363 sales or otherwise, or shall file any motion under Section 363 of the Bankruptcy Code, other than pursuant to the Asset Sale Documents, or as otherwise consented to in writing by Administrative Agent and the Required Lenders, other than the Seton Cash Burn Elimination Plan;

(vii) if any Borrower or Guarantor shall fail to comply with or perform any of the terms, conditions, covenants or other obligations under the Interim Order, the Final Order or any Asset Sale Order or to perform in any material respect its obligations under any order of the Bankruptcy Court approving bidding procedures;

(viii) the failure of the Closing Date to occur within three (3) Business Days after entry of the Interim Order without the prior written consent of Administrative Agent;

(ix) if the Final Order has not been entered within thirty (30) days after the date the Interim Order is entered without the prior written consent of Administrative Agent;

(x) if the Borrowers fail to achieve any Reorganization Milestones as and when required, except as otherwise consented to in writing by Administrative Agent;

(xi) except in connection with any Asset Sale, any assumption or rejection of any executory contract without the prior written consent of Administrative Agent;

(xii) (A) the amendment, modification, reversal, revocation, issuance of a stay or order to vacate or supplement the Interim Order, the Final Order, any Asset Sale Order or any other order of the Bankruptcy Court affecting this Agreement, any other Loan Document, any Asset Sale or the transactions contemplated hereby or thereby, in each case, in any manner not acceptable to Administrative Agent and the Required Lenders, (B) the filing of a motion by a

Credit Party for reconsideration with respect to the Interim Order, the Final Order or the Cash Management Order, (C) the Interim Order, the Final Order or the cash management order, as applicable, shall otherwise not be in full force and effect or (D) the termination of any Asset Purchase Agreement by the applicable Buyer;

(xiii) if the Confirmation Order shall fail to provide for the payment in full, in cash of all Obligations on or before the Reorganization Effective Date;

(xiv) the circulation or distribution by or on behalf of the Borrowers of any plan of reorganization and/or disclosure statement, or draft thereof (or term sheet or similar indicative statements of terms thereof) that does not provide for repayment in full in cash of all Obligations before or at the Reorganization Effective Date;

(xv) if (A) any Plan Documentation is executed, filed, delivered, or any confirmation order is entered which is not acceptable to the Administrative Agent in its sole discretion or does not provide for repayment in full in cash of all Obligations before or at the Reorganization Effective Date or any of the Credit Parties or their Subsidiaries shall seek, support or fail to contest in good faith the filing or confirmation of any such plan or entry of any such order, (B) the entry of any order terminating any Credit Party's exclusive right to file a plan of reorganization, or (C) the expiration of any Credit Party's exclusive right to file a plan of reorganization;

(xvi) the failure of the Bankruptcy Court to approve any Asset Sale Bid Procedure Order or the Consolidated Sale Motion within thirty (30) days of the filing of the applicable Asset Sale Bid Procedure Order or Consolidated Sale Motion, respectively;

(xvii) if there is a stay or injunction of the Confirmation Order in effect precluding the consummation of the transactions contemplated thereby;

(xviii) the bringing of a motion, taking of any action or the filing of any plan of reorganization or disclosure statement attendant thereto by any of the Credit Parties or any Subsidiary, or any Person claiming by or through any Credit Party or any Subsidiary, in the Bankruptcy Cases: (A) to obtain additional financing under Section 364(c) or Section 364(d) of the Bankruptcy Code not otherwise permitted pursuant to this Agreement; (B) to grant any Lien other than Permitted Liens upon or affecting any Collateral; (C) except as provided in the Interim Order or Final Order or permitted hereunder, as the case may be, to use "cash collateral" of Administrative Agent and the Lender under Section 363(c) of the Bankruptcy Code without the prior written consent of the Administrative Agent; or (D) any other action or actions materially adverse to the Administrative Agent and Lenders or their rights and remedies hereunder, under any other Loan Documents, or their interest in the Collateral, other than as provided in the Financing Orders;

(xix) the payment of, or application for authority to pay, any prepetition claim (including by defeasance) without the Administrative Agent's prior written consent unless in accordance with the Budget or as contemplated by the Financing Orders;

(xx) the allowance of any claim or claims under Section 506(c) of the Bankruptcy Code or otherwise against the Administrative Agent, any Lender or any of the Collateral in excess of $100,000;

(xxi) the commencement of a suit or an action (but not including a motion for standing to commence a suit or an action) against either the Administrative Agent or any Lender by a Credit Party and, as to any suit or action brought by any Person other than an Credit Party or a Subsidiary or a Credit Party, officer or employee of a Credit Party, the continuation thereof without dismissal for sixty (60) days after service thereof on either the Administrative Agent or such Lender, that asserts or seeks by or on behalf of a Credit Party, any state of federal environmental protection or health and safety agency, any official committee in any Bankruptcy Case or any other party in interest in any of the Bankruptcy Cases, a claim or any legal or equitable remedy that would (x) have the effect of invalidating, subordinating or challenging any or all of the Obligations or Liens of the Administrative Agent or any Lender under the Loan Documents to any other claim, or (y) have a material adverse effect on the rights and remedies of the Administrative Agent or any Lender or the collectability of all or any portion of the Obligations;

(xxii) the entry of an order in the Bankruptcy Cases avoiding or permitting recovery of any portion of the payments made on account of the Obligations;

(xxiii) the Financing Orders shall cease to create a valid and perfected Lien on the Collateral as contemplated therein or to be in full force and effect, shall have been reversed, modified, amended, stayed, vacated, or subject to stay pending appeal, in the case of modification or amendment, without the prior written consent of the Administrative Agent;

(xxiv) an order in the Bankruptcy Cases shall be entered charging any of the Collateral in an amount greater than $100,000 under Section 506(c) of the Bankruptcy Code against the Administrative Agent or any Lender, or the commencement of other actions that is materially adverse to the Administrative Agent, the Lenders or their respective rights and remedies under the Loan Documents in any of the Bankruptcy Cases or inconsistent with any of the Loan Documents, except as provided in the Financing Orders with respect to the Carve-Out;

(xxv) if the Final Order does not include a waiver, in form and substance satisfactory to the Administrative Agent, of the right to surcharge the Collateral under Section 506(c) of the Bankruptcy Code;

(xxvi) an order of the Bankruptcy Court shall be entered denying or terminating use of cash collateral by the Credit Parties;

(xxvii) an order materially adversely impacting the rights and interests of the Administrative Agent and the Lenders, as determined by the Administrative Agent in its reasonable discretion, shall have been entered by the Bankruptcy Court or any other court of competent jurisdiction;

(xxviii) any Credit Party shall challenge, support or encourage a challenge of any payments made to the Administrative Agent or any Lender with respect to the Obligations, or without the consent of the Administrative Agent, the filing of any motion by the Credit Parties seeking approval of (or the entry of an order by the Bankruptcy Court approving) adequate protection to any prepetition agent or lender that is inconsistent with the Financing Orders;

(xxix) if, unless otherwise approved by the Administrative Agent, an order of the Bankruptcy Court shall be entered providing for a change in venue with respect to the Bankruptcy Cases and such order shall not be reversed or vacated within ten (10) days;

(xxx) without the Administrative Agent's consent, any Credit Party or any Subsidiary thereof shall file any motion or other request with the Bankruptcy Court seeking (A) to grant or impose, under Section 364 of the Bankruptcy Code or otherwise, liens or security interests in any DIP Collateral (as defined in the Financing Orders), whether senior, equal or subordinate to the Administrative Agent's and Lenders' liens and security interests other than as permitted hereunder; or (B) to modify or affect in any material respect any of the rights of the Administrative Agent or the Lenders under the Financing Orders, the Loan Documents, and related documents by any plan of reorganization confirmed in the Bankruptcy Cases or subsequent order entered in the Bankruptcy Cases; or

(xxxi) any Credit Party or any Subsidiary thereof shall take any action in support of any matter prohibited by this Section 9.1(r) or any other Person shall do so and such application is not contested in good faith by the Credit Parties and the relief requested is granted in an order that is not stayed pending appeal.

9.2 Remedies. Notwithstanding the provisions of Section 362 of the Bankruptcy Code, if any Event of Default occurs and is continuing, Administrative Agent shall have the right in its sole discretion (or at the discretion of the Required Lenders) to take any or all of the following actions:

(a) declare the commitment of the Lenders to make Loans to be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by any Borrower;

(c) reduce the advance rates in respect of Eligible Accounts or take additional reserves against or otherwise modify the Borrowing Base; and

(d) exercise all rights and remedies available to Administrative Agent and the Lenders under the Loan Documents, including any right of set-off under Section 11.21, or under the UCC or any other Applicable Law;

provided, however, that upon the occurrence of an Event of Default described in Section 9.1(r), the obligation of Lenders to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and other Obligations and all interest and other amounts as aforesaid shall automatically become due and payable without further act of Administrative Agent or any Lender.

9.3 Application of Payments.

(a) So long as no Event of Default has occurred and is continuing, all proceeds of any repayment, including any prepayments of the Loans, shall be applied by Administrative Agent in the following order of priority:

FIRST, to fees, Expenses and any other amounts then due and owing under the Loan Documents;

SECOND, to accrued and unpaid interest on the Loans of each Lender, ratably among them in accordance with their Pro Rata Shares; and

THIRD, to principal on the Loans of each Lender, ratably among them in accordance with their Pro Rata Shares.

(b) Notwithstanding any other provisions of this Agreement to the contrary, upon the occurrence and during the continuance of an Event of Default (or after the Loans and all other Obligations under the Loan Documents have otherwise become due and payable in accordance with the terms of Section 9.2), all amounts collected or received by Administrative Agent and any Lender on account of the Obligations or any other amounts outstanding under any of the Loan Documents or in respect of the Collateral or any disposition of the Collateral shall be applied as follows (and each Borrower irrevocably waives the right to direct the application of any such amounts in any other manner):

FIRST, to the payment of all fees, costs, Expenses and indemnities of Administrative Agent and any Protective Advances made by Administrative Agent pursuant to the terms of the Loan Documents;

SECOND, to payment of that portion of the Obligations constituting fees, costs, Expenses and indemnities of the Lenders as provided herein, ratably among them in accordance with their Pro Rata Shares;

THIRD, to the payment of all of the Obligations consisting of accrued and unpaid interest owing to the Lenders, ratably among them in accordance with their Pro Rata Shares;

FOURTH, to the payment on a pari passu basis of (1) all Obligations consisting of unpaid principal on the Loans, ratably among the Lenders in accordance with their Pro Rata Shares and (2) any amounts due under any Approved Cash Management Obligations;

FIFTH, to all other Obligations which shall have become due and payable under the Loan Documents or otherwise and not repaid pursuant to clauses "FIRST" through "FOURTH" above; and

SIXTH, to the payment of the surplus, if any, to Borrowers or whoever else may be lawfully entitled to receive such surplus.

In carrying out the foregoing, amounts received shall be applied in the numerical order provided above until exhausted prior to application to the next succeeding category.

9.4 Rights to Appoint Receiver. Without limiting and in addition to any other rights, options and remedies Administrative Agent and Lenders have hereunder, the other Loan Documents, the UCC, at law or in equity, upon the occurrence and continuation of an Event of Default or the acceleration of the Loans pursuant to Section 9.2, Administrative Agent shall have the right to apply for and have a receiver appointed by a court of competent jurisdiction to enforce the rights and remedies of the Administrative Agent and the Lenders in order to manage, protect, preserve, sell or dispose the Collateral and continue the operation of the business of Borrowers and the Credit Parties and to collect all revenues and profits thereof and apply the same to the payment of all expenses and other charges of such receivership including the compensation of the receiver and to the payments as aforesaid until a sale or other disposition of such Collateral shall be finally made and consummated. EACH BORROWER AND EACH OTHER CREDIT PARTY HEREBY IRREVOCABLY CONSENTS TO AND WAIVES ANY RIGHT TO OBJECT TO OR OTHERWISE CONTEST THE APPOINTMENT OF RECEIVER AS PROVIDED ABOVE. EACH BORROWER AND EACH OTHER CREDIT PARTY (I) GRANTS SUCH WAIVER AND CONSENT KNOWINGLY AFTER HAVING DISCUSSED THE IMPLICATIONS THEREOF WITH COUNSEL, (II) ACKNOWLEDGES THAT (A) THE

UNCONTESTED RIGHT TO HAVE A RECEIVER APPOINTED FOR THE FOREGOING PURPOSES IS CONSIDERED ESSENTIAL BY THE ADMINISTRATIVE AGENT AND LENDERS IN CONNECTION WITH THE ENFORCEMENT OF ITS RIGHTS AND REMEDIES HEREUNDER AND THE OTHER LOAN DOCUMENTS, AND (B) THE AVAILABILITY OF SUCH APPOINTMENT AS A REMEDY UNDER THE FOREGOING CIRCUMSTANCES WAS A MATERIAL FACTOR IN INDUCING ADMINISTRATIVE AGENT AND LENDERS TO MAKE THE LOANS; AND (III) AGREES TO ENTER INTO ANY AND ALL STIPULATIONS IN ANY LEGAL ACTIONS, OR AGREEMENTS OR OTHER INSTRUMENTS IN CONNECTION WITH THE FOREGOING AND TO COOPERATE FULLY WITH ADMINISTRATIVE AGENT AND LENDERS IN CONNECTION WITH THE ASSUMPTION AND EXERCISE OF CONTROL BY THE RECEIVER OVER ALL OR ANY PORTION OF THE COLLATERAL, THE HEALTHCARE FACILITIES OR ANY OTHER PROPERTY OF ANY BORROWER OR ANY OTHER CREDIT PARTY.

9.5 Remedies Cumulative. Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to Administrative Agent or any Lender against any Borrower or any of the other Credit Parties under the Loan Documents or at law or in equity may be exercised by Administrative Agent at any time and from time to time, whether or not all or any of the Obligations shall be declared, or be automatically, due and payable, and whether or not Administrative Agent shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents. Any such actions taken by Administrative Agent shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as Administrative Agent may determine in its discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Administrative Agent and Lenders permitted by law, equity or contract or as set forth in the Loan Documents. Without limiting the generality of the foregoing, each Borrower agrees that if an Event of Default is continuing, (i) to the extent permitted by Applicable Law, Administrative Agent is not subject to any "one action" or "election of remedies" law or rule, and (ii) all Liens and other rights, remedies or privileges provided to Administrative Agent and Lenders shall remain in full force and effect until Administrative Agent has exhausted all of its remedies against the Collateral, the Collateral has been sold and/or otherwise realized upon in satisfaction of the Obligations or the Obligations have been paid in full. No delay or omission to exercise any remedy, right or power accruing upon an Event of Default, or the granting of any indulgence or compromise by Administrative Agent or any Lender shall impair any such remedy, right or power hereunder or be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. Any suspension or waiver by Administrative Agent or Lenders, as applicable, of a Default or Event of Default shall not suspend, waive or affect any other Default or Event of Default, whether the same is prior or subsequent thereto and whether of the same or of a different kind or character.

9.6 Severance. Administrative Agent shall have the right from time to time to sever this Agreement, any Revolving Notes, and the other Loan Documents into one or more separate notes, mortgages and other security documents in such denominations and priorities of payment and Liens as Administrative Agent shall determine in its discretion for purposes of evidencing and enforcing the rights and remedies of the Administrative Agent and the other Lenders hereunder. Each Credit Party shall execute and deliver to Administrative Agent from time to time, promptly after the request of Administrative Agent, a severance agreement and such other documents as Administrative Agent shall request in order to effect the severance described in the preceding sentence, all in form and substance reasonably satisfactory to Administrative Agent. Each Credit Party hereby absolutely and irrevocably appoints Administrative Agent as its true and lawful attorney, coupled with an interest, in its name and stead to make and execute all documents necessary or desirable to effect such severance, each Credit Party ratifying all that such attorney shall do by virtue thereof.

9.7 Administrative Agent's Right to Perform. If any Borrower or any other Credit Party fails to perform any covenant or obligation contained herein and such failure shall continue for a period of five (5) Business Days after any Borrower's or any other Credit Party's receipt of written notice thereof from Administrative Agent, without in any way limiting Administrative Agent's and Lenders' right to exercise any of their rights, powers or remedies as provided hereunder, or under any of the other Loan Documents, Administrative Agent may, but shall have no obligation to, perform, or cause performance of, such covenant or obligation, and all costs, expenses, liabilities, penalties and fines of Administrative Agent incurred or paid in connection therewith shall be payable by Borrowers to Administrative Agent upon demand and if not paid shall be added to the Obligations, shall be secured by the Collateral and shall bear interest thereafter at the Default Rate. Notwithstanding the foregoing, Administrative Agent shall have no obligation to send notice to Borrower Representative or any Credit Party of any such failure.

9.8 License. Administrative Agent, on behalf of itself and the Lenders, is hereby granted an irrevocable, non-exclusive license or other right to use, license or sub-license (without payment of royalty or other compensation to any Person) any or all Intellectual Property of any Borrower or any other Credit Party, computer hardware and software, trade secrets, brochures, customer lists, promotional and advertising materials, labels, packaging materials and other property, in advertising for sale, marketing, selling, collecting, completing manufacture of, or otherwise exercising any rights or remedies with respect to, any Collateral. Each Credit Party's rights and interests under Intellectual Property shall inure to Administrative Agent's and Lenders' benefit.

9.9 Injunctive Relief. Each Borrower and each other Credit Party acknowledges and agrees that if any Borrower or other Credit Party fails to perform any covenant or obligation contained herein or under any of the other Loan Documents, Administrative Agent and Lenders may have no adequate remedy in monetary damages and, accordingly, shall be entitled to an injunction, (including a temporary restraining order, preliminary injunction, writ of attachment or order compelling performance) against such non-performance, including maintaining the procedure set forth in this Agreement with respect to Collections. Neither Administrative Agent nor Lenders shall be deemed to have waived any other legal or equitable remedies hereunder, the other Loan Documents or at law if Administrative Agent and Lenders shall seek injunctive relief under this Section 9.9. Each Borrower waives any requirement for the posting of a bond or other security by Administrative Agent and Lenders in connection with any such injunctive relief.

9.10 Collection of Accounts. Subject to Applicable Law regarding Government Account Debtors, Administrative Agent may, at any time and from time to time after the occurrence and during the continuance of an Event of Default, whether before or after notification to any Account Debtor and whether before or after the maturity of any of the Obligations, (i) enforce collection of any Accounts of any Credit Party or other amounts owed to any Credit Party by suit or otherwise; (ii) exercise all of any Credit Party's rights and remedies with respect to proceedings brought to collect any Accounts or other amounts owed to such Credit Party; (iii) surrender, release or exchange all or any part of any Accounts or other amounts owed to any Credit Party, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder; (iv) sell or assign any Account of any Credit Party or other amount owed to any Credit Party upon such terms, for such amount and at such time or times as Administrative Agent deems advisable; (v) prepare, file and sign any Credit Party's name on any proof of claim in bankruptcy or other similar document against any Account Debtor or other Person obligated to any Credit Party; and (vi) do all other acts and things which are necessary, in Administrative Agent's sole discretion, to fulfill any Credit Party's obligations under this Agreement and the other Loan Documents and to allow Administrative Agent to collect the Accounts or other amounts owed to any Credit Party. In addition to any other provision hereof, Administrative Agent may at any time, after the occurrence and during the continuance of an Event of Default, at Borrowers' expense, notify Account Debtors (subject to Applicable Law regarding Government Account Debtors) to make payment directly to

Administrative Agent of any amounts due or to become due thereunder (and once such notice has been given to an Account Debtor, no Credit Party shall give any contrary instructions to such Account Debtor during the continuance of an Event of Default without Administrative Agent's prior written consent).

9.11 Assistance and Cooperation. Each Credit Party agrees to assist and cooperate with Administrative Agent, and take any action which Administrative Agent may reasonably request or require of such Credit Party, in order to enable Administrative Agent and Lenders to obtain and enjoy the full rights and benefits granted to Administrative Agent and Lenders by the Credit Parties under this Agreement and the other Loan Documents, including specifically, at the cost and expense of Borrowers, the use of their commercially reasonable efforts to assist in obtaining approval of any Governmental Authority for any transaction or action contemplated thereunder which is necessary under any Law or Contractual Obligation, and specifically, without limitation, the preparation, execution and filing with any such Person of any application for consent to assignment of Governmental Authorizations or otherwise.

9.12 Terminated Use of Cash Collateral. Without limitation of any of the remedies set forth in this Agreement and the other Loan Documents, upon the occurrence and during the continuance of any Event of Default, or upon the occurrence of the Revolving Loan Termination Date, no Borrower or Guarantor shall have any right to use any cash collateral (as defined in Section 363(a) of the Bankruptcy Code) in which Administrative Agent or the Lenders has an interest other than amounts used for purposes and in a manner otherwise permitted by this Agreement and held in operating accounts subject to "springing" deposit account control agreements in favor of Administrative Agent for which Administrative Agent has not given a notice of exclusive control or similar blocking notice.

9.13 Lift of Automatic Stay. Subject to the Financing Orders, if any Event of Default then exists, the automatic stay shall be modified or vacated to permit Administrative Agent and the Lenders to exercise all rights and remedies under this Agreement, the other Loan Documents or Applicable Law, without notice, application or motion, hearing before, or order of the Bankruptcy Court.

ARTICLE 10 PARTICIPATIONS AND ASSIGNMENTS

10.1 Participations and Assignments.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (e) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and Participants to the extent provided in paragraph (d) of this Section) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more assignees (any such assignee, an "***Assignee***") all or any portion of such Lender's Pro Rata Share of the Revolving Commitment, the Loans and its other rights and obligations hereunder, with the prior written consent of Administrative Agent, Swingline Lender and, so long as no Default or Event of Default has occurred and is continuing, with the prior written consent of Borrowers (all of which consents shall not be unreasonably withheld, conditioned or delayed and shall not be required for an assignment by a Lender to another Lender or an

Affiliate of a Lender). Except as Administrative Agent may otherwise agree, any such assignment shall be in a minimum aggregate amount equal to $5,000,000 or, if less, the remaining Revolving Commitment and Loans held by the assigning Lender. Borrowers and Administrative Agent shall be entitled to continue to deal solely and directly with such assigning Lender in connection with the interests so assigned to an Assignee until Administrative Agent shall have received an Assignment Agreement executed, delivered and fully completed by the applicable parties thereto and a processing fee paid by such applicable parties of $3,500.00. No assignment hereunder shall be permitted if to any Ineligible Assignee. Any attempted assignment not made in accordance with this Section 10.1(b) shall be treated as the sale of a participation under Section 10.1(d).

(c) From and after the date on which the conditions described in Section 10.1(b) above have been met, (i) such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned to such Assignee pursuant to such Assignment Agreement, shall have the rights and obligations of a Lender hereunder, and (ii) the assigning Lender, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment Agreement, shall be released from its rights (other than its indemnification rights) and obligations hereunder. Upon the request of the Assignee (and, as applicable, the assigning Lender) pursuant to an effective Assignment Agreement, Borrowers shall execute and deliver to Administrative Agent for delivery to the Assignee (and, as applicable, the assigning Lender) a Revolving Note in the principal amount of the Assignee's Revolving Commitment (and, as applicable, a Revolving Note in the principal amount of the Revolving Commitment retained by the assigning Lender). Each such Revolving Note shall be dated the effective date of such assignment. Upon receipt by the assigning Lender of such Revolving Note, the assigning Lender shall return to Borrowers any prior Revolving Note held by it.

(d) Any Lender may at any time (without any required consent) sell to one or more Persons (other than a Person that is an Ineligible Assignee) participating interests in its respective Revolving Commitment and Loans or other interests hereunder (any such Person, a "***Participant***"). In the event of a sale by a Lender of a participating interest to a Participant, (a) such Lender's obligations hereunder shall remain unchanged for all purposes, (b) Administrative Agent and Borrowers shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder and (c) all amounts payable by Borrowers shall be determined as if such Lender had not sold such participation and shall be paid directly to such Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "***Participant Register***"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. No Participant shall have any direct or indirect voting rights hereunder except with respect to any event described in Section 11.4 expressly requiring the unanimous vote of all Lenders or, as applicable, all affected Lenders. Each Lender agrees to incorporate the requirements of the preceding sentence into each participation agreement which such Lender enters into with any Participant. Each Borrower agrees that if amounts outstanding hereunder are due and payable (as a result of acceleration or otherwise), each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing hereunder to the same extent as if the amount of its participating interest were owing directly to it as a Lender hereunder; provided that such right of set-off shall be subject to the obligation of each Participant to share with Lenders, and Lenders agree to share with each Participant, as provided in Section 11.21. Each Borrower agrees that each Participant shall be entitled to the benefits of Section 2.15 as if it were a Lender (provided that on the date of the participation

no Participant shall be entitled to any greater compensation pursuant to Section 2.15 than would have been paid to the participating Lender on such date if no participation had been sold and that each Participant complies with Section 2.15 as if it were an Assignee).

(e) Notwithstanding anything to the contrary set forth herein, any Lender may at any time pledge or assign a security interest in all or any portion of its rights hereunder and applicable Revolving Note to secure obligations of such Lender, including any pledge or assignment to secure obligations to any Federal Reserve Bank (including as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank), and such Loans and Revolving Note(s) shall be fully transferable as provided therein, and this Section 10.1 shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) Administrative Agent will maintain a copy of each Assignment Agreement delivered and accepted by it and register (the "***Register***") for the recordation of names and addresses of Lenders, the Pro Rata Share of each Lender and the portion of the Revolving Commitment and the Loans of each Lender and whether such Lender is the original Lender or the Assignee. All records of transfer of a Lender's interest in the Register shall be conclusive, absent manifest error, as to the ownership of the interests in such Revolving Commitment and the Loans. Administrative Agent shall not incur any liability of any kind with respect to any Lender with respect to the maintenance of the Register or for any failure to ensure that any assignment is made in accordance with the terms hereof. Upon the reasonable written request of Borrower Representative, Administrative Agent will furnish a copy of the Register to Borrower Representative or another Borrower (at the cost, if any, to Borrowers).

ARTICLE 11 MISCELLANEOUS

11.1 Financial Advisors. Each Borrower (except for Cain Brothers and Berkeley Research Group, LLC) shall indemnify and hold Administrative Agent and Lenders harmless from and against any and all claims, liabilities, costs and expenses (including the reasonable fees and disbursements of legal counsel for Administrative Agent and Lenders, including the reasonable charges of internal legal counsel, whether incurred in connection with enforcing this indemnity or defending claims of third parties) of any kind in any way relating to or arising from a claim by any Person that such Person acted on behalf of such Borrower in connection with the transactions contemplated herein.

11.2 Administrative Agent's Discretion. Whenever pursuant to this Agreement or any other Loan Document, Administrative Agent exercises any right given to it to approve or disapprove, or consent or withhold consent, or any arrangement or term is to be satisfactory to Administrative Agent or is to be in Administrative Agent's discretion, the decision of Administrative Agent to approve or disapprove, to consent or withhold consent, or to decide whether arrangements or terms are satisfactory or not satisfactory, or acceptable or unacceptable or in Administrative Agent's discretion shall (except as is otherwise specifically herein provided) be in the sole discretion of Administrative Agent (unless another standard is specified herein, in which event such other standard shall be applied) and shall be final and conclusive.

11.3 Governing Law.

(a) IN ALL RESPECTS, INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THE OBLIGATIONS ARISING HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK

APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH BORROWER AND EACH OTHER CREDIT PARTY HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AND THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

(b) EACH PARTY HERETO HEREBY CONSENTS AND AGREES THAT THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION (OR IF THE BANKRUPTCY COURT DOES NOT HAVE JURISDICTION, ANY FEDERAL OR STATE COURT OF COMPETENT JURISDICTION LOCATED IN NEW YORK, NEW YORK) TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE PARTIES HERETO, ON THE ONE HAND, AND ADMINISTRATIVE AGENT OR ANY LENDER, ON THE OTHER HAND, PERTAINING TO THE AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; PROVIDED THAT EACH PARTY ACKNOWLEDGES THAT ANY APPEALS FROM THE BANKRUPTCY COURT MAY HAVE TO BE HEARD BY A COURT OTHER THAN THE BANKRUPTCY COURT; PROVIDED, FURTHER, THAT NOTHING IN THE AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE ADMINISTRATIVE AGENT OR ANY LENDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF ADMINISTRATIVE AGENT OR ANY LENDER. EACH PARTY HERETO EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH PARTY HEREBY WAIVES ANY OBJECTION THAT SUCH PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS, AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

11.4 Modification, Waiver in Writing.

(a) **No Deemed Consent**. Administrative Agent's or Lenders' failure, at any time or times hereafter, to require strict performance by Borrowers or other Credit Parties of any provision of this Agreement shall not waive, affect or diminish any right of Administrative Agent or Lenders thereafter to demand strict compliance and performance therewith. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under any Loan Document, neither Administrative Agent nor any Lender shall be deemed to have waived any right either to require prompt payment when due of all other amounts due under the Loan Documents, or to declare an Event of Default for failure to effect prompt payment of any such other amount. None of the undertakings, agreements, warranties, covenants and representations of Borrowers and the other Credit Parties contained in this Agreement or any of the other Loan Documents and no Default or Event of Default shall be deemed to have been suspended or waived by Administrative Agent and Lenders unless such suspension or waiver is in writing signed by an officer of Administrative Agent and Required Lenders, and directed to Borrower specifying such suspension or waiver.

(b) **Amendments, Consents and Waivers Generally**. Except as otherwise expressly provided in this Agreement, (i) any consent or approval required or permitted by this Agreement or in any Loan Document to be given by the Lenders may be given, (ii) any term of this Agreement or of any other Loan Document may be amended, (iii) the performance or observance by the Borrower or any other Credit Party of any terms of this Agreement or any other Loan Document may be waived, and (iv) the continuance of any Default or Event of Default may be waived (either generally or in

a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Required Lenders (or the Administrative Agent at the written direction of the Required Lenders), and, in the case of an amendment to any Loan Document, the written consent of each Credit Party which is party thereto, provided that no such amendment, modification or waiver or consent shall:.

(i) extend or increase the Revolving Commitment of any Lender without the written consent of such Lender;

(ii) extend any date scheduled for the payment of principal or interest without the written consent of each Lender directly affected thereby;

(iii) extend the Revolving Loan Termination Date without the written consent of all Lenders;

(iv) reduce the principal amount of the Loans, the rate of interest thereon (including applicable margins and interest rate floors) or any fees payable hereunder, without the consent of each Lender directly affected thereby (except for any periodic adjustments of interest rates and fees as provided for in this Agreement or any right to waive the Default Rate);

(v) release any Borrower or any Guarantor from its obligations hereunder or under any Guaranty;

(vi) release all or substantially all of the Collateral granted hereunder or under any of the Loan Documents (except as otherwise specifically permitted or provided in this Agreement);

(vii) change the payment application waterfall in Section 9.3, the definition of Required Lenders, any provision of this Section 11.4 or reduce the aggregate Pro Rata Share required to effect an amendment, modification, waiver or consent, without, in each case, the written consent of all Lenders; or

(viii) provide, or otherwise permit, the subordination of any Loan, or authorize Administrative Agent to subordinate its Lien in all or substantially all of the Collateral to a third party (except as otherwise specifically permitted or provided in this Agreement) without the written consent of each Lender.

(c) **Administrative Agent Consent**. This Agreement or any Loan Document may be amended or waived pursuant to an agreement in writing entered into by the Administrative Agent and the Borrower or other applicable Credit Parties (without the consent of any Lender) (1) to cure a defect or error, (2) to grant a new Lien for the benefit of the Administrative Agent and the Lenders or extend an existing Lien over additional property or (3) to make modifications required under Applicable Law that are not materially adverse to the Lenders. No provision of Article 12 or other provision of this Agreement affecting Administrative Agent as such shall be amended, modified or waived without the prior written consent of Administrative Agent. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Revolving Commitment of such Lender may not be increased or extended without the consent of such Defaulting Lender.

(d) **Swingline Lender Consent**. No amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Lenders otherwise required under this Section 11.4 affect the rights or duties of the Swingline Lender hereunder.

11.5 Waiver of Trial by Jury.

(a) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. ADMINISTRATIVE AGENT AND EACH LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION 11.5 IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY ANY BORROWER AND ANY OTHER CREDIT PARTY.

(b) In the event any such action or proceeding is brought or filed in any United States federal court sitting in the State of California or in any state court of the State of California, and the waiver of jury trial set forth in Section 11.5(a) hereof is determined or held to be ineffective or unenforceable, the parties agree that all actions or proceedings shall be resolved by reference to a private judge sitting without a jury, pursuant to California Code of Civil Procedure Section 638, before a mutually acceptable referee or, if the parties cannot agree, a referee selected by the Presiding Judge of the Los Angeles County, California. Such proceeding shall be conducted in Los Angeles County, California, with California rules of evidence and discovery applicable to such proceeding. In the event any actions or proceedings are to be resolved by judicial reference, any party may seek from any court having jurisdiction thereover any prejudgment order, writ or other relief and have such prejudgment order, writ or other relief enforced to the fullest extent permitted by Law notwithstanding that all actions or proceedings are otherwise subject to resolution by judicial reference.

11.6 Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, each Borrower and each other Credit Party agree not to assert, and hereby waive, in any legal action or other proceeding, any claim against Administrative Agent, any Lender or any Lender Affiliate, on any theory of liability, for special, indirect, consequential, special, exemplary or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof.

11.7 Headings/Exhibits. The section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. The Exhibits attached hereto, are hereby incorporated by reference as a part of this Agreement with the same force and effect as if set forth in the body hereof.

11.8 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement shall be prohibited by or invalid under Applicable Law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.9 Preferences. To the extent Borrowers make a payment to Administrative Agent or any Lender hereunder, or Administrative Agent or any Lender receives proceeds of any Collateral, which is in whole or part subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any Debtor Relief Law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Indebtedness or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by Administrative Agent or such Lender.

11.10 Waiver of Notice. Each Borrower and each other Credit Party hereby expressly waives the right to receive any notice from Administrative Agent or any Lender with respect to any matter, except to the extent that this Agreement or any other Loan Document specifically and expressly requires the giving of notice by Administrative Agent or any Lender to any Borrower and except with respect to matters for which Borrowers are not, pursuant to Applicable Laws, permitted to waive the giving of notice.

11.11 Remedies of Borrowers. If a claim or adjudication is made that Administrative Agent or any Lender or any of their respective agents has acted unreasonably or unreasonably delayed acting in any case where by law or under any Loan Document, Administrative Agent, such Lender or any such agent, as the case may be, has an obligation to act reasonably or promptly, each Borrower and each other Credit Party agrees that neither Administrative Agent, any Lender nor its respective agents shall be liable for any monetary damages, and such Borrower's or Credit Party's sole remedy shall be to commence an action seeking injunctive relief or declaratory judgment. Any action or proceeding to determine whether Administrative Agent or any Lender has acted reasonably shall be determined by an action seeking declaratory judgment. Each Borrower and each other Credit Party specifically waives any claim against Administrative Agent, each Lender and its respective agents with respect to actions taken by Administrative Agent, each Lender or its respective agents on any Borrower's or Credit Party's behalf.

11.12 Prior Agreements. This Agreement and the other Loan Documents contain the entire agreement of the parties hereto and thereto in respect of the transactions contemplated hereby and thereby, and all prior agreements, understandings and negotiations among or between such parties, whether oral or written, are superseded by the terms of this Agreement and the other Loan Documents.

11.13 Offsets, Counterclaims and Defenses. Each Borrower and each other Credit Party hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Administrative Agent, any Lender or their respective agents or otherwise offset any obligations to make payments required under the Loan Documents. Any Assignee of Administrative Agent's or any Lender's interest in and to the Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which such Borrower or such other Credit Party may otherwise have against any assignor of such documents, and no such offset, counterclaim or defense shall be interposed or asserted by such Borrower or such other Credit Party in any action or proceeding brought by any such Assignee upon such documents, and any such right to interpose or assert any such offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by such Borrower or such other Credit Party.

11.14 Publicity. Except as required in connection with the Bankruptcy Cases, neither any Borrower nor any other Credit Party shall, whether now or in the future issue. any press releases or other public disclosure using the name "Ally Bank", the name of any other Lender or the name of any of their respective Lender Affiliates or referring to this Agreement or the other Loan Documents without at least five (5) Business Days' prior notice to Administrative Agent (and in the case of a disclosure of a Lender's name, such Lender) and without the prior written consent of Administrative Agent (and in the case of a disclosure of a Lender's name, such Lender) unless (and only to the extent that) such Borrower or such

other Credit Party is required to do so under Applicable Law and then, in any event, such Borrower or such other Credit Party will consult with Administrative Agent (and in the case of a disclosure of a Lender's name, such Lender) before issuing such press release or other public disclosure. Each Borrower and each other Credit Party expressly consents to and authorizes the publication by Administrative Agent and Lenders of a summary description of the transaction(s) contemplated by this Agreement in any format (including tombstones, deal listings or similar advertising materials), which may be published in one or more of financial or other industry periodicals, newspapers, reporting services, trade organizations, written promotional materials, web site, or otherwise. In addition, each Borrower or each other Credit Party expressly consents to and authorizes Administrative Agent and Lenders to provide to financial or other industry periodicals, newspapers, reporting services or trade organizations information necessary and customary for inclusion of the transaction(s) in league table measurements, including the aggregate dollar value of the transaction.

11.15 Indemnification; Expenses.

(a) Expenses. Each Borrower and each other Credit Party shall reimburse Administrative Agent (or any Lender, as applicable) upon receipt of notice for all Expenses. Any Expenses due and payable by any Borrower or any other Credit Party hereunder which are not paid within five (5) days after demand shall accrue interest at the Default Rate and may be paid by Administrative Agent, in its sole discretion, pursuant to Section 2.8.

(b) Indemnity. Each Borrower and each other Credit Party shall defend, indemnify and hold harmless Administrative Agent, each Lender, each Lender Affiliate, each of their respective directors, officers, partners, members, shareholders, participants, employees, professionals and agents, and each of their respective successors and assigns (each, an "***Indemnified Party***"), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the fees and disbursements of counsel for an Indemnified Party in connection with any investigative, administrative or judicial proceeding commenced or threatened, court costs and costs of appeal at all appellate levels, investigation and laboratory fees, consultant fees and litigation expenses), that may be imposed on, incurred by, or asserted against any Indemnified Party (collectively, the "***Indemnified Liabilities***") arising out of or related to (i) the execution, enforcement, performance, or administration of this Agreement, any of the other Loan Documents, the transactions contemplated hereby; (ii) any breach by any Borrower, any other Credit Party or any Affiliate thereof of their obligations under, or any misrepresentation by any of the foregoing contained in, any Loan Document; (iii) any Environmental Release or the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release, or threatened release of any Hazardous Materials on, from or affecting any Healthcare Facility; (iv) any violation of any Laws by Borrower, any other Credit Party or any Affiliate thereof and (iv) any other mater arising out of or related to the Revolving Loans, any Credit Party, any Healthcare Facility or any Collateral; provided, however, that Borrowers shall not have any obligation to any Indemnified Party hereunder to the extent that it is judicially determined by a court of competent jurisdiction in a final, non-appealable judgment that such Indemnified Liabilities are the result of the gross negligence or willful misconduct of such Indemnified Party. Any amounts payable to any Indemnified Party by reason of the application of this Section 11.15 shall be payable on demand and shall bear interest at the Default Rate from the date loss or damage is sustained by any Indemnified Party until paid.

(c) Each Borrower and each other Credit Party for itself and all endorsers, guarantors and sureties and their heirs, legal representatives, successors and assigns, hereby further specifically waives any rights that it may have under Section 1542 of the California Civil Code (to the extent applicable), which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT

THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR," and further waives any similar rights under applicable Laws.

11.16 Survival. All obligations, covenants, agreements, representations, warranties, waivers and indemnities made by any Borrower in any Loan Document shall survive the execution and delivery of the Loan Documents, the Closing, the making of the Loans and any termination of this Agreement until all Obligations are fully performed and indefeasibly paid in full in cash. The obligations and provisions of Sections 2.2(k), 2.14, 2.15, 5.13, 9.9, 11.1, 11.3, 11.5, 11.6, 11.8, 11.9, 11.11, 11.13, 11.14, 11.15, 11.16, 11.17, 11.20, 11.27, 12.3, 12.6, 12.7 and 12.13 shall survive the termination of this Agreement and the other Loan Documents and any payment, in full or in part, of the Obligations.

11.17 No Usury. If Applicable Law is ever judicially interpreted so as to render usurious any amount called for hereunder or any other Loan Document, or contracted for, charged, taken, reserved or received with respect to the Obligations, or if Administrative Agent's and Lenders' exercise of the option to accelerate the maturity of the Loans or any prepayment by any Borrower results in Borrowers having paid any interest in excess of that permitted by Applicable Law, then it is each Borrower's, Administrative Agent's and Lenders' express intent that all excess amounts theretofore collected by Administrative Agent or any Lender shall be credited against the unpaid principal amount of the Obligations (or, if the Obligations have been or would thereby be paid in full, refunded to Borrowers), and the provisions of the Loan Documents immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with Applicable Law, but so as to permit the recovery of the fullest amount otherwise called for thereunder. All sums paid or agreed to be paid to Lenders for the use, forbearance or detention of the Loans shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loans until payment in full so that the rate or amount of interest on account of the Loans does not exceed the maximum lawful rate from time to time in effect and applicable to the Loans for so long as the Loans are outstanding. Notwithstanding anything to the contrary contained in any Loan Document, it is not the intention of Administrative Agent or any Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

11.18 Conflict; Construction of Documents. In the event of any conflict between the provisions of this Agreement and any of the other Loan Documents, the provisions of this Agreement shall control. The parties hereto acknowledge that each is represented by separate counsel in connection with the negotiation and drafting of the Loan Documents and that the Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted them.

11.19 No Third Party Beneficiaries. The Loan Documents are solely for the benefit of Administrative Agent, Lenders and Credit Parties and nothing contained in any Loan Document shall be deemed to confer upon any Person (other than Administrative Agent, Lenders, Credit Parties, Indemnified Parties under Section 11.15 and Indemnified Agent Parties under Section 12.7, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, Affiliates of each of Administrative Agent and Lenders) any right to insist upon or to enforce the performance or observance of any of the obligations contained therein.

11.20 Assignment. The Loans, any Notes, the Loan Documents and/or any Lender's rights, title, obligations and interests therein may be assigned by such Lender and any of its successors and assigns in accordance with the terms and conditions set forth in Article 10. Neither any Borrower nor any other Credit Party may assign its rights, title, interests or obligations hereunder or under any of the other Loan Documents.

11.21 Set-Off. Subject in all events to Section 12.13 hereunder, if an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, after obtaining the prior written consent of the Administrative Agent, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of any Borrower or any other Credit Party against any and all of the obligations of such Borrower or such other Credit Party now or hereafter existing hereunder or any other Loan Document to such Lender, irrespective of whether or not such Lender shall have made any demand hereunder or any other Loan Document and although such obligations of such Borrower or such other Credit Party may be contingent or unmatured or are owed to a branch or office or Affiliate of such Lender different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness; provided, that if any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 12.15 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender and their respective Affiliates under this Section 11.21 are in addition to other rights and remedies (including other rights of setoff) that such Lender or their respective Affiliates may have. Each Lender agrees to notify the Borrower Representative and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

11.22 Confidentiality. Except as required in connection with the Bankruptcy Cases, each Credit Party agrees (i) not to transmit or disclose provisions of any Loan Document to any Person (other than to Borrowers' advisors and officers on a need-to-know basis (as reasonably determined by the applicable Credit Party) or as otherwise may be required by Law) without the Administrative Agent's prior written consent and (ii) to inform all Persons of the confidential nature of the Loan Documents and to direct them not to disclose the same to any other Person and to require each of them to be bound by these provisions.

11.23 Patriot Act Compliance. Each Lender that is subject to the Patriot Act (as defined below) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies each Credit Party that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies each Credit Party, which information includes the name, address and tax identification number of each Credit Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Credit Party in accordance with the Patriot Act. The Borrowers shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act.

11.24 [Reserved].

11.25 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopier, facsimile machine, portable document format ("***PDF***") or other electronic means shall be as effective as delivery of a manually executed counterpart of this Agreement. The effectiveness of any such documents and signatures shall, subject to Applicable Laws, have the same force and effect as

manually signed originals and shall be binding on Borrowers, Administrative Agent and Lenders. Administrative Agent may also require that any such documents and signatures be confirmed by a manually signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature. No party may raise the use of a telecopier, facsimile machine, PDF or other electronic means, or the fact that any signature was transmitted through the use of a telecopier, facsimile machine, PDF or other electronic means, as a defense to the enforcement of this Agreement.

11.26 Borrower Representative.

(a) Each Credit Party hereby irrevocably appoints and constitutes Borrower Representative as its agent to (i) request and receive the proceeds of advances in respect of the Loans (and to otherwise act on behalf of such Credit Party pursuant to this Agreement and the other Loan Documents) from Administrative Agent and Lenders in the name or on behalf of each such Credit Party, (ii) receive statements of account and all other notices from Administrative Agent or any Lender, as applicable, with respect to the Obligations or otherwise under or in connection with this Agreement and the other Loan Documents, (iii) execute and deliver Borrowing Base Certificates, Compliance Certificates and all other notices, certificates and documents to be executed and/or delivered by any Credit Party hereunder or the other Loan Documents; and (iv) otherwise act on behalf of such Credit Party pursuant to this Agreement and the other Loan Documents.

(b) The authorizations contained in this Section 11.26 are coupled with an interest and shall be irrevocable, and Administrative Agent and Lenders may rely on any notice, request, information supplied by Borrower Representative, every document executed by Borrower Representative, every agreement made by Borrower Representative or other action taken by Borrower Representative in respect of any Borrower or other Credit Party as if the same were supplied, made or taken by such Borrower or such other Credit Party. Without limiting the generality of the foregoing, the failure of one or more Borrowers or other Credit Parties to join in the execution of any writing in connection herewith shall not relieve any Borrower or other Credit Party from obligations in respect of such writing. No purported termination of the appointment of Borrower Representative as agent shall be effective without the prior written consent of Administrative Agent.

11.27 Joint and Several.

(a) Each Borrower shall be jointly and severally liable for all of the Obligations of Borrowers hereunder, regardless of which of Borrowers actually receives the proceeds or other benefits of the Loans or other extensions of credit hereunder or the manner in which Borrowers, the Administrative Agent or the Lenders account therefor in their respective books and records.

(b) Each Borrower is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Administrative Agent and Lenders hereunder, for the mutual benefit, directly and indirectly, of each Borrower and in consideration of the undertakings of the other Borrowers to accept joint and several liability for the Obligations.

(c) To the extent that Applicable Law otherwise would render the full amount of the joint and several obligations of any Borrower hereunder and under the other Loan Documents invalid or unenforceable, such Person's obligations hereunder and under the other Loan Documents shall be limited to the maximum amount which does not result in such invalidity or unenforceability; provided, however, that each Borrower's obligations hereunder and under the other Loan Documents shall be presumptively

valid and enforceable to their fullest extent in accordance with the terms hereof or thereof, as if this Section 11.27 were not a part of this Agreement.

(d) To the extent that any Borrower shall make a payment under this Section 11.27 of all or any of the Obligations (as used in this clause (g), a "***Joint Liability Payment***") which, taking into account all other Joint Liability Payments then previously or concurrently made by any other Borrower, exceeds the amount that such Borrower would otherwise have paid if each Borrower had paid the aggregate Obligations satisfied by such Joint Liability Payments in the same proportion that such Person's "Allocable Amount" (as defined below) (as determined immediately prior to such Joint Liability Payments) bore to the aggregate Allocable Amounts of each of Borrowers as determined immediately prior to the making of such Joint Liability Payments, then, following indefeasible payment in full in cash of the Obligations (other than contingent obligations that survive the repayment in full of the Loans and the termination of the Loan Documents and for which no claim has been asserted) and termination of the Revolving Commitment, such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Borrower for the amount of such excess, *pro rata* based upon their respective Allocable Amounts in effect immediately prior to such Joint Liability Payments. As of any date of determination, the "Allocable Amount" of any Borrower shall be equal to the maximum amount of the claim which could then be recovered from such Borrower under this Section 11.27 without rendering such claim voidable or avoidable under §548 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(e) Each Borrower assumes responsibility for keeping itself informed of the financial condition of each other Borrower, and any and all endorsers and/or guarantors of any instrument or document evidencing all or any part of such other Borrower's Obligations, and of all other circumstances bearing upon the risk of nonpayment by such other Borrower of their Obligations and each Borrower agrees that neither Administrative Agent nor any Lender has any duty to advise such Borrower of information known to Administrative Agent or any Lender regarding such condition or any such circumstances or to undertake any investigation not a part of its regular business routine. If Administrative Agent or any Lender, in its sole discretion, undertakes at any time or from time to time to provide any such information to a Borrower, Administrative Agent or such Lender shall not be under any obligation to update any such information or to provide any such information to such Borrower or any other Person on any subsequent occasion.

(f) Administrative Agent and Lenders are hereby authorized, without notice or demand and without affecting the liability of a Borrower hereunder, to, at any time and from time to time, (A) renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to, Obligations incurred by any Borrower or other Credit Party, otherwise modify, amend or change the terms of any promissory note or other agreement, document or instrument now or hereafter executed by any Borrower or other Credit Party and delivered to Administrative Agent or any Lender; (B) accept partial payments on an Obligation incurred by any Borrower; (C) take and hold security or collateral for the payment of an Obligation incurred by any Borrower hereunder or for the payment of any guaranties of an Obligation incurred by any Borrower or other liabilities of any Borrower and exchange, enforce, waive and release any such security or collateral; (D) apply such security or collateral and direct the order or manner of sale thereof as Administrative Agent may determine in its sole discretion; and (E) settle, release, compromise, collect or otherwise liquidate an Obligation incurred by any Borrower and any security or collateral therefor in any manner, without affecting or impairing the obligations of any other Borrower. Administrative Agent shall have the exclusive right to determine the time and manner of application of any payments or credits, whether received from a Borrower or any other source, and such determination shall be binding on each Borrower. All such payments and credits may be applied, reversed and reapplied, in whole or in part, to any of an Obligation incurred by any Borrower as

Administrative Agent shall determine in their sole discretion without affecting the validity or enforceability of the Obligations of the other Borrowers.

(g) Each Borrower hereby agrees that, except as hereinafter provided, its obligations hereunder shall be unconditional, irrespective of and each Borrower hereby waives notice of: (A) the absence of any attempt to collect an Obligation incurred by a Borrower from any Borrower or any guarantor or other action to enforce the same; (B) the waiver or consent by Administrative Agent and Lenders with respect to any provision of any instrument evidencing an Obligation incurred by any other Borrower, or any part thereof, or any other agreement heretofore, now or hereafter executed by any other Borrower and delivered to Administrative Agent or any Lender; (C) failure by Administrative Agent to take any steps to perfect and maintain its security interest in, or to preserve its rights to, any security or collateral for an Obligation incurred by any Borrower; (D) Administrative Agent's or any Lender's election in any of the Bankruptcy Cases of the application of §1111(b)(2) of the Bankruptcy Code; (E) any other borrowing or grant of a security interest by a Borrower to any third party in the Bankruptcy Cases; (F) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of Administrative Agent's claim(s) for repayment of any of the Obligations; or (G) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

(h) This Section 11.27 is intended only to define the relative rights of Borrowers and nothing set forth in this Section 11.27 is intended to or shall impair the obligations of Borrowers, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement or any other Loan Documents. Nothing contained in this Section 11.27 shall limit the liability of any Borrower to pay the Loans made directly or indirectly to such Borrower and accrued interest, fees and Expenses with respect thereto for which such Borrower shall be primarily liable.

(i) No payment made by or for the account of any Borrower, including (A) a payment made by such Borrower on behalf of an Obligation of another Borrower or (B) a payment made by any other person under any guaranty, shall entitle such Borrower, by subrogation or otherwise, to any payment from such other Borrower or from or out of property of such other Borrower and such Borrower shall not exercise any right or remedy against such other Borrower or any property of such other Borrower by reason of any performance of such Borrower of its joint and several obligations hereunder until the Obligations (other than contingent obligations that survive the repayment in full of the Loans and the termination of the Loan Documents and for which no claim has been asserted) are paid in full.

(j) Each Borrower hereby agrees that after the occurrence and during the continuance of any Default or Event of Default, such Borrower will not demand, sue for or otherwise attempt to collect any indebtedness of any other Borrower owing to such Borrower until the Obligations (other than contingent obligations that survive the repayment in full of the Loans and the termination of the Loan Documents and for which no claim has been asserted) are paid in full. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by such Borrower as trustee for Administrative Agent, and such Borrower shall deliver any such amounts to Administrative Agent for application to the Obligations in accordance with Section 9.3.

(k) Any notice given by Borrower Representative hereunder shall constitute and be deemed to be notice given by all Borrowers, jointly and severally. Notice given by Administrative Agent or any Lender to Borrower Representative hereunder or pursuant to any other Loan Documents in accordance with the terms hereof or thereof shall constitute notice to all Borrowers. The knowledge of any Borrower shall be imputed to all Borrowers and any consent by Borrower Representative or any Borrower shall constitute the consent of and shall bind all Borrowers.

(l) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of each Borrower to which such contribution and indemnification is owing. The rights of any indemnifying Borrower against the other Borrowers under this Section shall be exercisable upon the full and indefeasible payment of the Obligations (other than contingent obligations that survive the repayment in full of the Loans and the termination of the Loan Documents and for which no claim has been asserted) and the termination of the Revolving Facility.

11.28 Release of Claims. Each Borrower and each other Credit Party does hereby (i) waive any claim in tort, contract or otherwise which such Borrower or such other Credit Party may have against Administrative Agent, any Lender, any of their respective Affiliates or their respective officers, directors, agents, or employees (collectively, "***Lender Agents***") which may arise out of the relationship between any such Borrower or such other Credit Party and any such Person prior to the Closing Date; and (ii) absolutely and unconditionally releases and discharges the Administrative Agent, each Lender, each of their respective Affiliates and the Lender Agents from any and all claims, causes of action, losses, damages or expenses which may arise out of any relationship between it and the Administrative Agent, such Lender, any such Affiliate or the Lender Agents which such Borrower or such other Credit Party may have as of the Closing Date. Each Borrower and each other Credit Party acknowledges that it makes this waiver and release knowingly, voluntarily and only after considering the ramifications of this waiver and release with its legal counsel.

11.29 Acting Through Agents. In exercising any rights under the Loan Documents or taking any actions provided for therein, Administrative Agent may act through its employees, agents or independent contractors as authorized by Administrative Agent. Each Borrower shall authorize its accounting firm and/or service bureaus to provide Administrative Agent with such information as is requested by Administrative Agent in accordance with this Agreement. Each Borrower authorizes Administrative Agent to contact directly any such accounting firm and/or service bureaus to obtain such information.

ARTICLE 12 AGENCY PROVISIONS; SETTLEMENT

Administrative Agent, Lenders, Borrowers and each other Credit Party agree that, except for the rights expressly granted to Borrowers under Section 12.9, no Borrower or other Credit Party shall be a party to the agreements contained in this Article 12. Without limitation of the foregoing, Administrative Agent, Lenders, Borrowers and each other Credit Party agree that in no event shall Borrowers or other Credit Parties be required to seek comment from, deliver notices to or otherwise deal with any Lender other than Administrative Agent (except as otherwise specifically stated in this Agreement). No Borrower or other Credit Party shall have any benefits or rights as a third party beneficiary of any term or condition contained in this Article 12.

12.1 Appointment and Authorization.

(a) **Generally**. Each Lender hereby irrevocably (subject to Section 12.9) appoints, designates and authorizes Administrative Agent to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorized Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, Administrative Agent shall not have any duty or responsibility except those expressly set forth herein, nor shall Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or Participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be

read into this Agreement or any other Loan Document or otherwise exist against Administrative Agent. The duties of Administrative Agent shall be mechanical and administrative in nature. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in other Loan Documents with reference to Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any Applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) **Specific Authorizations**. Except as otherwise specified in this Agreement, Administrative Agent shall have the right to exercise its sole and absolute discretion to act or not to act under the Loan Documents. Without limiting the generality of the foregoing, Administrative Agent shall have the sole and exclusive right and authority to:

A. act as the disbursing and collecting agent for the Lenders with respect to all payments and collections arising in connection with this Agreement and the Loan Documents relating to the Collateral securing the Loans;

B. make any subsequent advances to the Borrower for the purposes described in this Agreement;

C. approve or disapprove any form of real property lease agreement to which the Borrowers or other Credit Parties are subject;

D. execute and deliver each Collateral Document and accept delivery of each such agreement delivered by the Credit Parties;

E. act as collateral agent for the Lenders for purposes of the perfection of all security interests and Liens created by such agreements and all other purposes stated therein;

F. take such action as is necessary or desirable to maintain the perfection and priority of the security interest and Liens created or purported to be created by the Loan Documents;

G. release or assign (without recourse, representation or warranty, other than representations as to title and as to no encumbrances by Administrative Agent) any or all Collateral upon payment and satisfaction in full of the Loans; and

H. enter into any so-called "pre-negotiation agreement" with Borrower or any other Credit Party (provided that as a condition precedent to such authority, all Lenders have been given a reasonable opportunity to (i) comment on the proposed form of pre-negotiation agreement and (ii) discuss such comments with Administrative Agent).

12.2 Delegation of Duties. Administrative Agent may execute any of its duties hereunder or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of legal counsel and other consultants, independent public accountants or experts concerning all matters pertaining to such duties. Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct as finally determined in a non-appealable judicial proceeding.

12.3 Exculpation of Administrative Agent. None of Administrative Agent nor any of its directors, officers, employees, Affiliates or agents shall (a) be liable to any Lender or any other Person for

any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except to the extent resulting from its own gross negligence or willful misconduct in connection with its duties expressly set forth herein as determined by a final, nonappealable judgment by a court of competent jurisdiction), or (b) be responsible in any manner to any Lender or Participant for any recital, statement, representation or warranty made by any Borrower, any Credit Party or any of their Affiliates, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document (or the creation, perfection or priority of any Lien or security interest therein), or for any failure of any Borrower, any Credit Party or any other party to any Loan Document to perform its obligations and liabilities hereunder or thereunder, or be responsible for or have any duty to ascertain or verify the satisfaction of any conditions specified in this Agreement or any other Loan Document. Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to (i) the performance or observance of any of the terms, provisions or conditions of this Agreement or any of the other Loan Documents, (ii) the financial condition of any Credit Party, (iii) the contents of any certificate, report or other document delivered hereunder or any other Loan Document or in connection herewith or therewith, (iv) the existence or possible existence of any Default or Event of Default, or (v) the satisfaction of any condition set forth in Section 3 of this Agreement or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to Administrative Agent.

12.4 Reliance by Administrative Agent. Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, electronic mail message, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including legal counsel to Borrowers), independent accountants and other experts selected by Administrative Agent. Administrative Agent shall be fully justified in failing or refusing to take any action hereunder or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders or such other number or percentage of Lenders as shall be required elsewhere in this Agreement as it deems appropriate and, if it so requests, confirmation from Lenders of their obligation to indemnify Administrative Agent against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or any other Loan Document in accordance with a request or consent of the Required Lenders or such other number or percentage of Lenders as shall be required elsewhere in this Agreement and such request and any action taken or failure to act pursuant thereto shall be binding upon each Lender. For purposes of determining compliance with the conditions specified in Section 3.2, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless Administrative Agent shall have received written notice from such Lender prior to the Closing Date specifying its objection thereto.

12.5 Notice of Default. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to Administrative Agent for the account of Lenders, unless Administrative Agent shall have received written notice from a Lender or a Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Administrative Agent will notify Lenders of its receipt of any such notice. Administrative Agent shall take such action with respect to such Default or Event of Default as may be requested by the

Required Lenders in accordance with Section 9.5; provided that unless and until Administrative Agent has received any such request, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of Lenders.

12.6 Credit Decision. Each Lender acknowledges that Administrative Agent has not made any representation or warranty to it, and that no act by Administrative Agent hereafter taken, including any consent and acceptance of any assignment or review of the affairs of Borrowers or the other Credit Parties, shall be deemed to constitute any representation or warranty by Administrative Agent to any Lender as to any matter, including whether Administrative Agent has disclosed material information in its possession. Each Lender represents to Administrative Agent that it has, independently and without reliance upon Administrative Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers and the other Credit Parties, and made its own decision to enter into this Agreement and to extend credit to Borrowers hereunder. Each Lender also represents that it will, independently and without reliance upon Administrative Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action hereunder and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers and the other Credit Parties. Except for notices, reports and other documents expressly herein required to be furnished to Lenders by Administrative Agent, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial or other condition or creditworthiness of Borrowers and the other Credit Parties which may come into the possession of Administrative Agent. Each Lender hereby acknowledges and agrees that it is not entitled to rely upon any notice, report or other document furnished by the Administrative Agent from time to time in connection with this Agreement and the other Loan Documents and the transactions contemplated hereby, and hereby release any and all claims it may have against Administrative Agent or any agent thereof as a result of any reliance by any Lender in any such notice, report, document or other information furnished by Administrative Agent.

12.7 Indemnification. Whether or not the transactions contemplated hereby are consummated, each Lender shall indemnify, defend and hold harmless upon demand Administrative Agent and its directors, officers, employees, Affiliates and agents (each an "***Indemnified Agent Party***") (to the extent not reimbursed by or on behalf of any Borrower and without limiting the obligation of any Borrower to do so), according to its applicable Pro Rata Share, from and against any and all Indemnified Liabilities (as defined in Section 11.15), provided, that no Lender shall be liable for any payment to any such Person of any portion of the Indemnified Liabilities to the extent determined by a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the applicable Indemnified Agent Party's own gross negligence or willful misconduct. No action taken in accordance with the directions of Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 12.7. Without limitation of the foregoing, each Lender shall reimburse Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including all Expenses) incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that Administrative Agent is not reimbursed for such expenses by or on behalf of Borrowers. If any indemnity furnished to Administrative Agent for any purpose shall, in the reasonable, good faith opinion of Administrative Agent, be insufficient or become impaired, Administrative Agent may call for additional reasonable indemnity and cease, or not commence, to do the acts indemnified against even if so

directed by Required Lenders until such additional reasonable indemnity is furnished. The undertaking in this Section 12.7 shall survive repayment of the Loans and other liabilities, cancellation of any promissory notes, any foreclosure under, or modification, release or discharge of, any or all of the Loan Documents, termination of this Agreement and the resignation or replacement of Administrative Agent.

12.8 Administrative Agent in Individual Capacity. Ally Bank and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with any Credit Party and its Affiliates as though Ally Bank were not Administrative Agent hereunder and without notice to or consent of any Lender; provided, however, if Ally Bank acquires equity interests in any Credit Party or any Affiliate of any Credit Party and such equity interests are not publicly traded, Ally Bank will provide written notice to the Lenders. Each Lender acknowledges that, pursuant to such activities, Ally Bank or its Affiliates may receive information regarding a Credit Party or its Affiliates (including information that may be subject to confidentiality obligations in favor of such Credit Party or such Affiliates) and acknowledge that Administrative Agent shall be under no obligation to provide such information to them. With respect to its portion of the Loans, Ally Bank and its Affiliates shall have the same rights and powers hereunder as any other Lender and may exercise the same as though Ally Bank were not Administrative Agent, and the terms "Lender" and "Lenders" include Ally Bank and its Affiliates, to the extent applicable, in their individual capacities.

12.9 Successor Administrative Agent. Administrative Agent may resign as Administrative Agent upon thirty (30) days' notice to Lenders. If Administrative Agent resigns hereunder, Required Lenders shall, with (so long as no Default or Event of Default exists) the consent of Borrowers (which shall not be unreasonably withheld, conditioned or delayed), appoint from among Lenders a successor agent for Lenders. Notwithstanding the immediately foregoing sentence, if no successor agent is appointed prior to the effective date of the resignation of Administrative Agent, Administrative Agent may appoint, after consulting with Lenders and Borrowers, a successor agent from among Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to and become vested with all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 12 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent hereunder. If no successor agent has accepted appointment as Administrative Agent by the date which is thirty (30) days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and Lenders shall perform all of the duties of Administrative Agent hereunder until such time, if any, as Required Lenders appoint a successor agent as provided for above.

12.10 Collateral Matters; Restriction on Lenders. (a) Each Lender authorizes and directs Administrative Agent to enter into the other Loan Documents for the benefit of Administrative Agent and Lenders. Each Lender hereby agrees that, except as otherwise set forth herein, any action taken by Administrative Agent or Required Lenders in accordance with the provisions of this Agreement or the other Loan Documents, and the exercise by the Administrative Agent or Required Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all Lenders. Administrative Agent is hereby authorized on behalf of all Lenders, without the necessity of any notice to or further consent from any Lender, to take any action with respect to any Collateral and any of the other collateral pursuant to Loan Documents that may be necessary to perfect and maintain perfected the Liens upon the Collateral and the other collateral pursuant to the other Loan Documents. Lenders irrevocably authorize Administrative Agent, at its option and in its discretion, (i) to release any Lien granted to or held by Administrative Agent hereunder and any other

Loan Document (x) upon the termination of this Agreement in accordance with Section 2.17; (y) constituting property sold or to be sold or disposed of, financed or refinanced, as part of or in connection with any sale, disposition, financing or refinancing which is expressly permitted by this Agreement at any time; or (z) subject to Section 11.4, if approved, authorized or ratified in writing by Required Lenders; or (ii) to subordinate its interest in any Collateral to any holder of a Lien on such Collateral which is expressly permitted by this Agreement. Upon request by Administrative Agent at any time, Lenders will promptly confirm in writing Administrative Agent's authority to release, or subordinate its interest in, particular types or items of Collateral pursuant to this Section 12.10. Administrative Agent and each Lender hereby appoint each other Lender as agent for the purpose of perfecting Administrative Agent's security interest in assets and Collateral (and other collateral pursuant to other Loan Documents) which, in accordance with the Uniform Commercial Code in any applicable jurisdiction, can be perfected by possession or control. Should any Lender (other than Administrative Agent) obtain possession or control of any such assets or Collateral, such Lender shall promptly notify Administrative Agent thereof in writing, and, promptly upon Administrative Agent's written request therefor, shall deliver such assets or Collateral to Administrative Agent or in accordance with Administrative Agent's instructions or transfer control to Administrative Agent in accordance with Administrative Agent's instructions. Each Lender agrees that, except as otherwise expressly provided herein, it will not have any right individually to enforce or seek to enforce this Agreement or any other Loan Document or to realize upon any Collateral for the liabilities unless instructed in writing to do so by Administrative Agent, it being understood and agreed that such rights and remedies may be exercised only by Administrative Agent.

(b) Each Lender agrees that it shall not, without the express written consent of Administrative Agent, and shall, upon the written request of Administrative Agent (to the extent it is lawfully entitled to do so), set off against the liabilities, any amounts owing by such Lender to a Credit Party or any deposit accounts of any Credit Party now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Administrative Agent, take or cause to be taken, any action, including the a commencement of any legal or equitable proceedings to foreclose any loan or otherwise enforce any security interest in any of the Collateral or to enforce all or any part of this Agreement or the other Loan Documents. All enforcement actions hereunder and the other Loan Documents against the Credit Parties or any third party with respect to the liabilities or the Collateral may only be taken by Administrative Agent (at the direction of the Required Lenders or as otherwise permitted in this Agreement) or by its agents at the direction of Administrative Agent.

(c) If any Lender, directly or through an Affiliate or branch office thereof, obtains any payment of any Obligation of any Credit Party (whether voluntary, involuntary or through the exercise of any right of setoff or the receipt of any Collateral or "proceeds" (as defined under the applicable UCC) of Collateral) other than from the Administrative Agent in accordance with this Agreement and such payment exceeds the amount such Lender would have been entitled to receive if all payments had gone to, and been distributed by, Administrative Agent in accordance with the provisions of the Loan Documents, such Lender shall purchase for cash from other Lenders such participations in their Obligations as necessary for such Lender to share such excess payment with such Lenders to ensure such payment is applied as though it had been received by Administrative Agent and applied in accordance with this Agreement (or, if such application would then be at the discretion of the Borrowers, applied to repay the Obligations in accordance herewith); provided, however, that (a) if such payment is rescinded or otherwise recovered from such Lender in whole or in part, such purchase shall be rescinded and the purchase price therefor shall be returned to such Lender without interest and (b) such Lender shall, to the fullest extent permitted by Applicable Law, be able to exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the applicable Credit Party in the amount of such participation.

12.11 Administrative Agent May File Proofs of Claim. In case of the pendency of any Insolvency Proceeding relative to any Borrower or other Credit Party, Administrative Agent (irrespective of whether the principal of the Loans shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether Administrative Agent shall have made any demand on a Borrower or other Credit Party) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, and all other liabilities that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of Lenders and Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of Lenders and Administrative Agent and their respective agents and attorneys and all other amounts due Lenders and Administrative Agent hereunder) allowed in such judicial proceedings; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to Administrative Agent and, if Administrative Agent shall consent to the making of such payments directly to Lenders, to pay to Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of Administrative Agent and its agents and attorneys, and any other amounts due Administrative Agent hereunder.

Nothing contained herein shall be deemed to authorize Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, affecting the liabilities or to authorize Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

12.12 Return of Payments.

(a) If Administrative Agent pays an amount to a Lender hereunder in the belief or expectation that a related payment has been or will be received by Administrative Agent from any Borrower and such related payment is not received by Administrative Agent, or if Administrative Agent overpays an amount to a Lender hereunder or otherwise in error, then Administrative Agent shall be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind, together with interest accruing on a daily basis at the Federal Funds Effective Rate. If Administrative Agent determines at any time that any amount received by Administrative Agent hereunder must be returned to Borrowers or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Administrative Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender shall repay to Administrative Agent on demand any portion of such amount that Administrative Agent has distributed to such Lender, together with interest at such rate, if any, as Administrative Agent is required to pay to Borrowers or such other Person, without setoff, counterclaim or deduction of any kind.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of the making of any Loan that such Lender will not make available to the Administrative Agent such Lender's share of such Loan, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.3(b) and may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. If a Lender has not in

fact made its share of the applicable Loan available to Administrative Agent, then the applicable Lender agrees to pay to Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the applicable Borrower to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. The obligations of each Lender hereunder are in addition to any obligation of Borrowers to make any repayment to Lender (including those provided in Section 2.3(b)).

12.13 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its Pro Rata Share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; provided that:

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(b) the provisions of this Section 12.13 shall not be construed to apply to (x) any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any Assignee or Participant.

Each Credit Party consents to the foregoing and agrees, to the extent it may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Borrower and each other Credit Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of each Borrower and each other Credit Party in the amount of such participation.

12.14 Settlements; Payments. The Outstanding Amount may fluctuate from day to day through Administrative Agent's disbursement of funds to, and receipt of funds from, Borrowers. In order to minimize the frequency of transfers of funds between Administrative Agent and each Lender, repayments of Loans may, at the election of Administrative Agent, be settled according to the procedures set forth in this Section 12.14. Notwithstanding the procedures set forth in this Section 12.14, each Lender's obligation to fund its portion of any advances made by Administrative Agent to Borrowers will commence on the date such advances are made by Administrative Agent. Such payments will be made by such Lender without set-off, counterclaim or reduction of any kind.

(a) At least once each calendar week, or more frequently if Administrative Agent so elects (each such day being a "***Settlement Date***"), Administrative Agent will advise each Lender by 1:00 p.m. (New York City time) on a Business Day by telephone or written notice in accordance with this Agreement of the amount of each such Lender's Pro Rata Share of the Outstanding Amount. If payments are necessary to adjust the amount of such Lender's share of the Outstanding Amount to such Lender's Pro Rata Share of the Outstanding Amount, the party from which such payment is due will pay the other

party, in same day funds, by wire transfer to the other's account, not later than 1:00 p.m. (New York City time) on the Business Day immediately following the Settlement Date (provided that if Administrative Agent gives such notice at or prior to 1:00 p.m. (New York City time) on the Settlement Date, such funding shall be made on the Settlement Date).

(b) On the first Business Day of each month (each, an "***Interest Settlement Date***"), Administrative Agent will advise each Lender by written notice in accordance with this Agreement of the amount of interest and fees charged to and collected from Borrowers for the preceding month in respect of the Loans. Provided that such Lender is not then a Defaulting Lender, Administrative Agent will pay to such Lender, by wire transfer to such Lender's account (as specified by such Lender in accordance with this Agreement) such Lender's Pro Rata Share of such interest and fees not later than the next Business Day following the Interest Settlement Date.

12.15 Defaulting Lender.

(a) **Defaulting Lender Adjustments**. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) Any amount payable to a Defaulting Lender hereunder (whether on account of principal, interest, fees or otherwise) shall, in lieu of being distributed to such Defaulting Lender, be retained by Administrative Agent in a segregated account and, subject to any Applicable Law, be applied at such time or times as may be determined by Administrative Agent (i) first, to the payment of any amounts owing by such Defaulting Lender to Administrative Agent hereunder, (ii) second, if so determined by Administrative Agent and Borrowers, held in such account as cash collateral for future funding obligations (if any) of the Defaulting Lender hereunder, (iii) third, pro rata, to the payment of any amounts owing to Borrowers, Administrative Agent or the Lenders as a result of any judgment of a court of competent jurisdiction obtained by Borrowers, Administrative Agent or any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations hereunder, and (iv) fourth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided, that if such payment is a prepayment of the principal amount of the Loan, such payment shall be applied solely to prepay the Loans of all Lenders that are not Defaulting Lenders pro rata prior to being applied to the prepayment of any Loans of any Defaulting Lender.

(ii) Notwithstanding anything set forth herein to the contrary, a Defaulting Lender shall not have any voting or consent rights under or with respect to this Agreement or any other Loan Document or constitute a "Lender" (or be included in the calculation of "Required Lenders" hereunder) for any voting or consent rights under or with respect to this Agreement or any other Loan Document except with respect to items described in Section 11.4(c) which require the vote or consent of all Lenders or all affected Lenders, and no Defaulting Lender shall have any other right to approve or disapprove any amendment, waiver, consent or any other action the Lenders or the Required Lenders have taken or may take hereunder (including any consent to any amendment or waiver pursuant to Section 11.4), provided that any waiver, amendment or modification described in Section 11.4(c) requiring the consent of all Lenders or each directly affected Lender which affects such Defaulting Lender differently than other affected Lenders shall require the consent of such Defaulting Lender.

(iii) The failure of any Defaulting Lender to make any Loan, advance or any payment required by it hereunder shall not relieve any other Lender of its obligations to make such Loan, advance or payment, but neither any Lender nor Administrative Agent shall be

responsible for the failure of any Defaulting Lender to make a Loan, advance or make any other payment required hereunder.

(iv) At the written request of the Borrower Representative, Administrative Agent or a Person reasonably acceptable to Administrative Agent shall have the right with Administrative Agent's written consent and in Administrative Agent's sole discretion (but without any obligation whatsoever on Administrative Agent) to purchase from any Defaulting Lender, and each Defaulting Lender agrees that it shall, at Administrative Agent's written request, promptly sell and assign to Administrative Agent or such Person, all of the lending commitments and commitment interests of that Defaulting Lender for an amount equal to the principal balance of all Loans held by such Defaulting Lender and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated (if at all upon Administrative Agent's election) pursuant to an executed Assignment Agreement.

(b) **Defaulting Lender Cure**. If Borrowers and Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any cash collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Swingline Loans to be held pro rata by the Lenders in accordance with their Pro Rata Shares, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of Borrowers while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

12.16 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Debtor in Possession Revolving Credit Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWERS:

VERITY HEALTH SYSTEM OF CALIFORNIA, INC.
O'CONNOR HOSPITAL
SAINT LOUISE REGIONAL HOSPITAL
ST. FRANCIS MEDICAL CENTER
ST. VINCENT MEDICAL CENTER
SETON MEDICAL CENTER
VERITY HOLDINGS, LLC
VERITY MEDICAL FOUNDATION
O'CONNOR HOSPITAL FOUNDATION
SAINT LOUISE REGIONAL HOSPITAL FOUNDATION
ST. FRANCIS MEDICAL CENTER OF LYNWOOD FOUNDATION
ST. VINCENT FOUNDATION
ST. VINCENT DIALYSIS CENTER, INC.
SETON MEDICAL CENTER FOUNDATION
VERITY BUSINESS SERVICES
DE PAUL VENTURES, LLC
DE PAUL VENTURES - SAN JOSE DIALYSIS, LLC

By: _____
Name: Rich Adcock
Title: Chief Executive Officer

ADMINISTRATIVE AGENT:

ALLY BANK

By: _____
Name: Whitney Parker
Title: Authorized Signatory

LENDER AND SWINGLINE LENDER:

ALLY BANK

By:
Name: Whitney Parker
Title: Authorized Signatory

ANNEX A

Revolving Commitments

Name of Lender	Final Commitment of such Lender	Interim Commitment of such Lender	Pro Rata Share
ALLY BANK	$185,000,000	$30,000,000	100%
TOTAL	$185,000,000	$30,000,000	100%

EXHIBIT 3

EXHIBIT 3

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Judge Ernest M. Robles
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**DECLARATION OF JAMES MOLONEY, IN SUPPORT OF MOTION FOR FINAL ORDER AUTHORIZING (A) USE OF CASH COLLATERAL; (B) DEBTOR IN POSSESSION CREDIT AGREEMENT; (C) GRANT OF SUPERPRIORITY PRIMING LIENS TO DIP LENDER AND; (D) GRANT OF JUNIOR LIENS ON POST PETITION ACCOUNTS AND INVENTORY AS ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES PURSUANT TO 11 U.S.C. §§105(A), 363(C)(2), AND 364(C) AND (D)** FINAL HEARING: Date: October 3, 2018 Time: 10:00 a.m. Place: Courtroom 1568

DENTONS US LLP
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I, James Moloney, submit this Supplemental Declaration in support of the Debtors' Reply in Support of MOTION FOR FINAL ORDER AUTHORIZING (A) USE OF CASH COLLATERAL, (B) DEBTOR IN POSSESSION CREDIT AGREEMENT, (C) GRANT OF SUPERPRIORITY PRIMING LIENS TO DIP LENDER, (D) GRANT OF JUNIOR LIENS ON POST PETITION ACCOUNTS AND INVENTORY AS ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES PURSUANT TO 11 U.S.C. §§105(A), 363(C)(2), AND 364(C) AND (D) (the "DIP Motion")[Docket No 31], and hereby state and declare as follows:

1. 1. I am a Managing Director at Cain Brothers ("Cain Brothers"), a division of KeyBanc Capital Markets Inc. ("KBCM").

2. The statements herein are based upon my personal knowledge of the facts and information gathered by me in my capacity as CFO for VHS.

3. I am the Co-Head of Cain Brothers' Health Systems M&A Group and a member of the Firm's Executive Committee. I joined Cain Brothers in 1995 and have 27 years' experience in mergers, acquisitions, financings, and real estate transactions. I have led engagements for the firm's clients over a broad range of academic medical centers, not-for-profit health systems, publicly-traded and privately-owned healthcare providers, medical groups, real estate development companies, and real estate investors. Some recent notable engagements of mine include Group Health Physicians affiliation with Kaiser Permanente, MultiCare Health System's pending acquisition of Rockwood Health System from Community Health Systems, Tenet's sale of five Atlanta area hospitals to WellStar and Meriter's Health Services affiliation with UnityPoint. Prior to my current role, I founded and was the head of the Firm's Real Estate Group and have advised clients on real estate transactions valued in excess of $2 billion and involving more than 200 healthcare properties.

Prior to joining Cain Brothers, I was a member of Citicorp Securities Health Care Group for five years. I earned a BA in Business from University of Washington and an MBA from the University of Rochester's William E. Simon School of Business. I am a member of the board of

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ICA Christo Rey Academy.

4. Cain Brothers is a division of KBCM, which is a wholly-owned broker/dealer subsidiary of KeyCorp and an affiliate of KeyBank National Association. Cain Brothers was acquired in October 2017 by KBCM and prior to the KBCM acquisition was a privately owned investment banking firm. Cain Brothers was founded in 1982 and for thirty-six years has been focused exclusively on providing investment banking services to the health care industry. Currently, the Cain Brothers division of KBCM has approximately 100 investment banking professionals and is headquartered in New York, NY with a major office in San Francisco and additional office in Chicago, IL.

5. My firm's primary banking focus is on mergers, acquisition and other change of control transactions having advised clients on more than 175 M&A transactions in the health care sector since the beginning of 2012. Cain Brothers has been involved as advisor with respect to financial restructurings, capital raising, mergers, acquisitions, divestitures, and other advisory assignments. Its investment banking professionals apply expert technical, analytical, and negotiating skills to structure transactions and resolve situations in which multiple stakeholders frequently have conflicting interests and objectives. Cain Brothers' senior bankers are actively involved in the day-to-day activities throughout engagements from the initial planning of the sale strategy through the negotiation and execution of each transaction. Cain Brothers has developed significant relevant experience and expertise regarding the sale and/or recapitalization of hospitals and hospital systems, has extensive experience in the healthcare space, and has an excellent reputation for investment banking services that it has rendered to various parties in interest in large and complex healthcare-related bankruptcy proceedings, including the following representative chapter 11 cases: St. Vincent's, Hawaii Medical Center, Texarkana, Forum, Doctor's Healthcare and California Proton Treatment Center. Moreover, Cain Brothers' extensive healthcare sector experience includes being involved as advisors with respect to the raising of capital, mergers, acquisitions, and divestitures for companies in this space. Accordingly, Cain Brothers and the professionals it employs are well qualified to represent the Debtors in the matters for which Cain Brothers is proposed to be employed.

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6. I personally have participated in many of the above mentioned Cain Brothers' transactions as the lead or co-lead professional which, along with my formal training, a enables me to competently express my assessment and judgment on the reasonable range of results that may occur from the Cain marketing efforts for sales of the Debtors' assets as going concerns. Such opinion is not a formal appraisal, and is not intended to substitute for such an opinion if needed by the Court.

7. Cain Brothers, moreover, has been engaged by the Debtors since June 2018 and, as a result, is familiar with the Debtors' corporate and capital structure, management and business operations. In addition, Cain Brothers advised the Debtors prior to the Petition Date regarding, among other things, the identification of potential buyers of some or all of the Verity hospitals and related assets, and commenced discussions with those potential buyers. Cain Brothers assisted Verity in preparing a Confidential Information Memorandum and organized an online data site to share information with potential buyers. Beginning in July 2018, Cain Brothers contacted over 110 strategic and financial buyers to solicit their interest in exploring a transaction regarding the Debtors and has assisted in the Debtors in making significant progress toward completing sales. Specifically, as of the time just prior to the Petition Date, as a result of its ongoing and broad marketing process, 51 potential buyers and 8 DIP financing parties signed confidentiality agreements and Cain Brothers had received 11 Indications of Interest ("**IOI**") for the Debtors' operating assets and expects to receive additional proposals. Since receipt of those IOIs, I and others at Cain have had multiple conversations and communications with all eleven parties submitting an IOI and others.

I. Realizable Value of the Debtors' Assets

8. As of the Petition Date, according to the Chou Declaration dated August 31, 2018 [Docket 32], the book value of the Debtors assets were approximately [$857 million]. Based upon the work done by Cain Brothers in connection with the Marketing of the Debtors assets, the expressions of interest received by Cain in connection with those solicitations and the follow up communications between the parties delivering the IOI and my experience, the aggregate realizable value of the Debtors assets with continued use of professional marketing and access to

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this Court's ability to sell assets unencumbered by prepetition claims and agreement is in the range of [$725 million to $800 million] within the next 12 months.

9. It is my understanding from the Chou Declaration, that the aggregate secured funded debt liability reflecting on the Debtors balance sheet as of the Petition Date was approximately [$565 million]. Based upon the Debtors' consolidated balance sheet and my assessment of the realizable value of the Debtors assets, I conclude that there is realizable value in excess of the prepetition secured liabilities of [$150 - $225 million]. That excess is sometimes referred to as the Debtors' "equity cushion". The equity cushion can be expressed as a percentage is 26% - 40%.

10. I have reviewed the pleadings requesting authority to borrow up to $185 million in postpetition senior secured priming asset based lending facility. I have also reviewed the Debtors' budget and forecast, which projects a base case borrowing ceiling of approximately [$100 million]. Based upon my experience and judgment, the based case appears to be a reasonable one. Based upon the base case, the realizable value of the Debtors' assets will exceed the sum of prepetition secured liabilities and outstanding borrowings under the DIP Facility at its termination date.

11. I have also examined the question of whether the assets can be sold more quickly utilizing a lower borrowing total. Based on my experience and judgement as an investment banker in the health care field, it is not reasonably possible to keep the hospitals open and serving patients and not fully fund the Debtors operating expenses as provided. While certain assets might sell for more as vacant real estate or alternative use buildings, a forced sale of all the assets would yield far less than I have projected as the realizable value.

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

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Dated: September 26, 2018

JAMES MOLONEY

By: _____
James Moloney

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Proposed Counsel for the Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re:

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

Affects:

☑ All Debtors
☐ Verity Health System of California, Inc.
☐ Saint Louise Regional Hospital
☐ St. Francis Medical Center
☐ St. Vincent Medical Center
☐ Seton Medical Center
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☐ St. Vincent Foundation
☐ St. Vincent Dialysis Center, Inc.
☐ Seton Medical Center Foundation
☐ Verity Business Services
☐ Verity Medical Foundation
☐ Verity Holdings, LLC
☐ De Paul Ventures, LLC
☐ De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

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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

Chapter 11 Cases

Hon. Ernest M. Robles

OFFICIAL COMMITTEE OF UNSECURED CREDITORS' LIMITED OBJECTION TO DEBTOR'S MOTION FOR AUTHORITY TO OBTAIN POSTPETITION FINANCING AND RELATED RELIEF [DKT. 31]

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SURETYSHIP & GUARANTY § 28 cmt 9

The Official Committee of Unsecured Creditors of Verity Health System of California, Inc., *et al*. (the "Committee") appointed in the chapter 11 cases (the "Chapter 11 Cases") of the above-captioned debtors and debtors-in-possession (the "Debtors"), hereby file this limited objection (the "Objection") to the *Emergency Motion of Debtors for Interim and Final Orders (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; Memorandum of Points and Authorities in Support Thereof* [Docket No. 31] (the "DIP Motion"), and in support thereof represents as follows:

I. PRELIMINARY STATEMENT

1. While the Committee supports, subject to the proposed changes and clarifications set forth below, the DIP Facility and entry of the Final DIP Order, the Committee objects to the scope of the protections afforded to the Prepetition Secured Creditors (which includes certain insiders of the Debtors[1]) as adequate protection in connection therewith.

2. The terms of the adequate protection set the stage for the Chapter 11 Cases to be run for the benefit of the Prepetition Secured Creditors. The Debtors' estates' many other creditors—current employees (*e.g*., nurses, lab technicians, and janitors), pension plans, doctors, former employees (potentially entitled to severance), trade creditors, and tort claimants—are effectively being asked to fund operations going forward even though the sale process and protections required by the Prepetition Secured Creditors as adequate protection may likely leave the unsecured creditors with little to no recovery.

[1] Included among the Prepetition Secured Parties are affiliates of Integrity Healthcare LLC ("Integrity") and NantWorks, LLC ("NantWorks," and together with Integrity, the "Insiders"), former management of the Debtors. We understand that the Debtors are in negotiations with other creditors asserting the right to adequate protection. The Committee expressly reserves all rights as to the propriety of any such additional grants of adequate protection, including its right to supplement this Objection to address such matters prior to the October 3, 2018 hearing.

3. This is especially troubling because, as of the Petition Date, there appear to have been substantial unencumbered assets and value in the Debtors' estates that would otherwise be available to pay the holders of unsecured claims. For example, the Debtors assert that there is no single secured creditor with liens on all of the Debtors' assets. (DIP ¶ 26.) Nor, according to the Debtors, does any secured creditor have perfected liens on the cash in the Debtors' operating account. (*Id*. ¶ 72.) Nonetheless, as part of the adequate protection package, all such unencumbered assets and value are being pledged to the Prepetition Secured Creditors, who otherwise did not have a claim on such assets, for the diminution in the value of their claims purportedly caused by the very ongoing operations that the Prepetition Secured Creditors need in order to realize value from their collateral.

4. That is, the Prepetition Secured Creditors need the Debtors to continue to operate while pursuing a sale of their collateral in order to realize value from that collateral. Yet, the Prepetition Secured Creditors would impose the costs of such operations—and the administration of these cases—on the unsecured creditors.

5. Combined with the proposed waiver of the Court's ability to later order the marshaling of assets to ensure a fair distribution and the protections afforded to the estates under sections 506(c) and 552(b), the expedited sale process mandated by the Final DIP Order that only requires that sale proceeds clear minimal price hurdles (to pay the secured creditors only), and other provisions of the proposed DIP Facility granting the Prepetition Secured Creditors an unwarranted degree of control over these cases (such as requiring that a motion seeking approval of a sale of substantially all of the Debtors' assets be filed a mere 60 days after the Petition Date for a price that could be as low as $700 million and requiring that the Court approve the motion within 30 days of the filing), together with the artificially low investigation budget and carve-out afforded to the Committee, the adequate protection package as proposed improperly serves to advance the interests

of the Prepetition Secured Creditors while imposing all of the risks and costs of proceeding on the estates' unsecured creditors.

6. As set forth more fully below, the Committee specifically objects to the provisions of the Final DIP Order and DIP Credit Agreement relating to the following issues:

- Adequate Protection Liens and Claims
  (Final DIP Order ¶¶ 5(a), 5(b), and 5(c).)
- Waiver of Section 506(c)
  (Final DIP Order ¶ 5(e).)
- Waiver of Section 552(b)
  (Final DIP Order ¶ 5(e).)
- Waiver of Marshaling Principles
  (Final DIP Order ¶ 28(e).)
- Asset Sale Process Milestones, Covenants, and Events of Default
  (DIP Credit Agreement ¶ 9.1(q)(x).)
- Secured Creditor Fees and Expenses
  (Final DIP Order ¶ 5(b).)
- Committee Fees and Expenses
  (Final DIP Order ¶, Ex. 2 (Budget).)
- Investigation Period
  (Final DIP Order ¶ 5(d).)
- Investigation Budget
  (Final DIP Order ¶ 5(d).)
- Carve-Out Amount
  (Final DIP Order ¶ 16.)
- Exercise of Remedies
  (Final DIP Order ¶ 24.)
- Reports and Budgets
  (Final DIP Order ¶ 7.)
- Credit Bidding
  (Final DIP Order ¶ 15.)
- Asset Sale Proceeds Allocation
  (Final DIP Order ¶ M.)

II. OBJECTION

7. Upon any request for debtor-in-possession financing, the debtor has the burden of proving that (i) it is unable to obtain financing on better terms; (ii) the proposed credit transaction is "necessary to preserve the assets of the estate;" and (iii) the proposed terms "are fair, reasonable, and adequate, given the circumstances of the debtor-borrower and the proposed lender." *In re Crouse Grp.*, 71 B.R. 544, 549 (Bankr. E.D. Pa.), *aff'd*, 75 B.R. 553 (E.D. Pa. 1987); *see also In re Barbara K. Enters., Inc., No. 08-11474 (MG), 2008 WL 2439649, at *10 (Bankr. S.D.N.Y. June 16, 2011); In re Strug-Division LLC*, 380 B.R. 505, 514-15 (Bankr. N.D. Ill. 2008) (debtors have burden of proof under § 364); *In re Hubbard Power & Light*, 202 B.R. 680, 684-85 (Bankr. E.D.N.Y. 1996) (debtor has burden of proving that requirements of § 364 have been met). The Debtors' burden is heavy—"the granting of [section 364 protections] should carry at least the same if not a heavier burden of proof than that a petitioner asking for a temporary restraining order must bear." *In re Adamson Co.*, 29 B.R. 937, 940 (Bankr. E.D. Va. 1983); *see generally* 11 U.S.C. §§ 364(c) and 364(d).

8. Where obtaining post-petition financing requires the furnishing of adequate protection to prepetition lenders under sections 361, 363, and 364 of the Bankruptcy Code, such relief must be narrowly tailored. The purpose of providing adequate protection to prepetition parties is to preserve the *status quo*, not to better those parties' positions. *See, e.g.*, *In re 354 E. 66th St. Realty Corp.*, 177 B.R. 776, 782 (Bankr. E.D.N.Y. 1995); *In re Roe Excavating, Inc.*, 52 B.R. 439, 440 (Bankr. S.D. Ohio 1984). More specifically, its objective is to ensure that prepetition lenders receive the security they bargained for prior to the petition date. *See In re Sonora Desert Dairy*, 2015 WL 65301, at *11 (9th Cir BAP Jan. 15, 2015) ("In other words, adequate protection is provided to ensure that the prepetition creditor receives the value for which the creditor bargained

prebankruptcy"). "Neither the legislative history nor the [Bankruptcy] Code indicate that Congress intended the concept of adequate protection to go beyond the scope of protecting the secured claim holder from a diminution in the value of the collateral securing the debt." *In re Pine Lake Vill. Apartment Co.*, 19 B.R. 819, 824 (Bankr. S.D.N.Y. 1982); *In re Orlando Trout Creek Ranch*, 80 B.R. 190, 191-92 (Bankr. N.D. Cal. 1987) (secured claim may be deemed to be adequately protected where its security is not depreciating).

9. Thus, a lender's entitlement to adequate protection arises only when there is evidence establishing likely loss to its collateral position. *See, e.g., RTC v. Swedeland Dev. Grp. (In re Swedeland Dev. Grp.)*, 16 F.3d 552, 564 (3d Cir. 1994); *In re Stoney Creek Techs., LLC*, 364 B.R. 882, 890 (Bankr. E.D. Pa. 2007); *accord In re Saypol*, 31 B.R. 796, 800 (Bankr. S.D.N.Y. 1983) ("In the context of the automatic stay, Congress believed the existence *vel non* of such a decline [in the value of the secured creditor's interest] to be almost decisive in determining the need for adequate protection.")

10. Due to a debtors' diminished capacity to negotiate financing on favorable terms, DIP facility lenders "often extract favorable terms that harm the estate and creditors" especially "when the lender has a prepetition lien on cash collateral." *Resolution Tr. Co. v. Official Unsecured Creditors Comm. (In re Defender Drug Stores Inc.)*, 145 B.R. 312, 317 (B.A.P. 9th Cir. 1992) (citing *In re Ames Dep't. Stores, Inc.*, 115 B.R. 34, 38 (Bankr. S.D.N.Y. 1990)); *In re Tenney Vill. Co.*, 104 B.R. 562, 567-70 (Bankr. D.N.H. 1989).

11. Thus, for example, courts counsel against affording secured lenders unilateral control over the course of chapter 11 cases because to do so would improperly usurp the mandated roles of the Court, the debtors, and any committee in the chapter 11 process. *See, e.g., In re Tenney Vill. Co., Inc.*, 104 B.R. at 568 (debtor-in-possession financing terms must not "pervert the reorganizational process from one designed to accommodate all classes of creditors and equity

interests to one specially crafted for the benefit" of the secured creditor; to do so would permit secured creditors to "run roughshod over numerous sections of the Bankruptcy Code"); *Gen. Elec. Capital Corp. v. Hoerner (In re Grand Valley Sport & Marine, Inc.)*, 143 B.R. 840, 852 (Bankr. W.D. Mich. 1992) ("[T]his court will not authorize post-petition financing pursuant to § 364 where a creditor leverages a debtor in possession into making a concession unauthorized by, or in conflict with, the Bankruptcy Code as a condition for the requested credit"); *In re Berry Good, LLC*, 400 B.R. 741, 747 (Bankr. D. Az. 2008) ("[B]ankruptcy courts do not allow terms in financing arrangements which convert the bankruptcy process from one designed to benefit all creditors to one designed for the unwarranted benefit of the post-petition lender").

12. Prior to approving the terms of a DIP financing and any related adequate protection, a bankruptcy court must ensure that the proposed financing will not "skew the carefully designed balance of debtor and creditor protections that Congress drew in crafting Chapter 11" by approving postpetition financing on terms that "prejudice, at an early stage, the powers and rights that the Bankruptcy Code confers for the benefit of all creditors." *Ames*, 115 B.R. at 37; *see also Tenney Vill.*, 104 B.R. at 568 (stating that postpetition financing should not be approved where effect is to "disarm the [d]ebtor of all weapons usable against it for the bankruptcy estate's benefit, place the [d]ebtor in bondage working for the Bank, seize control of the reins of reorganization, and steal a march on other creditors in numerous ways").

13. It is critical for the Court to ensure that the terms of the Debtors' postpetition financing do not impair the ability of either the Debtors or the Committee to discharge their duties fully. There are two fiduciaries in these Chapter 11 Cases, the Debtors and the Committee, each with very different mandates. The Debtors, as the chapter 11 management of a California not-for-profit enterprise, have duties that run in favor of the Debtors' ongoing "mission." *See In re United Healthcare Sys., Inc.*, 1997 WL 176574, at *5 (D. N.J. Mar. 26, 1997) ("The officers and directors of

a nonprofit organization are charged with the fiduciary obligation to act in furtherance of the organization's charitable mission."); *Summers v. Cherokee Children & Family Servs.*, 112 S.W.3d 486, 504 (Tenn. Ct. App. 2002) ("[N]onprofit directors must be 'principally concerned about the effective performance of the nonprofit's mission"'). Conversely, the Committee, as the statutorily appointed representative of the Debtors' unsecured creditors, has duties run in favor of such creditors. *In re Caldor, Inc. NY*, 193 B.R. 165, 169 (Bankr. S.D.N.Y. 1996) ("A creditors committee stands as a fiduciary to the class of creditors it represents") (citing cases).

14. Importantly, the board of a not-for-profit debtor does not have the same duties with respect to, or focus on, stakeholder value as do the boards of for-profit debtors. *See* John Tyler, *Negating the Legal Problem of Having "Two Masters": A Framework for L3C Fiduciary Duties & Accountability*, 35 Vt. L. Rev. 117, 140 (2010) ("The clarity and certainty of purpose for exempt organizations focuses not on shareholder value but on faithfulness to the charitable exempt purposes as defined by law and declared by the organization, which helps distinguish these entities from for-profit operations.").

15. Thus, if the recoveries of unsecured creditors are to be maximized by a going concern sale of the Debtors' assets, it is imperative that the DIP Facility not impair or impede the exercise of duties by the Committee as the Debtors have an entirely different mandate.

16. However, as set forth in more detail below, many provisions in the proposed DIP Facility and Final DIP Order do just that and would, in fact, "disarm the Debtor of all weapons usable by it for the bankruptcy estate's benefit" and, thus, should not be approved because to do so would not be in the best interests of the Debtors or their estates.

A. Adequate Protection Liens and Claims

17. The Final DIP Order, if granted, would provide the DIP Lender with superpriority liens and claims against all of the Debtors' assets, both encumbered and unencumbered

(the "DIP Collateral"). More problematically, by way of adequate protection, the Final DIP Order grants the Prepetition Secured Creditors replacement liens as to the full DIP Collateral, as well, thereby elevating their position and enabling them to claim as their own the unencumbered assets that were not otherwise available to them prior to the Petition Date because no creditor had a lien on all of such assets. (Final DIP Order ¶¶ 5(a), 5(b), and 5(c).)

18. It would be unduly punitive to the Debtors' unsecured creditors for the Court to expand in this way the Prepetition Secured Parties' prepetition collateral package by granting the Prepetition Secured Creditors liens on previously unencumbered assets. *See, e.g., In re Four Seasons Marine & Cycle, Inc.*, 263 B.R. 764, 771 (Bankr. E.D. Tex. 2001) (describing fundamental unfairness imposed on unsecured creditors by granting of replacement lien on unencumbered assets of estate); *In re Integrated Testing Prods. Corp.*, 69 B.R. 901, 905 (D.N.J. 1987) (holding that prepetition secured creditor was not entitled to proceeds of sale of collateral recovered as preference because to allow the secured creditor to "claim these preferences would frustrate the policy of equal treatment of creditors under the Code").

19. Depending on the outcome of the contemplated sales of the Debtors' assets, the proceeds of the Debtors' prepetition unencumbered assets would likely be one of the main sources of recovery for unsecured creditors. The Prepetition Secured Creditors should not be able to dissipate these critical assets under any circumstance, and certainly not without first seeking to recover from their own collateral packages. *See Meyer v. United States*, 375 U.S. 233, 237 (1963) (marshaling doctrine requires secured creditor to first seek recovery from assets against which other creditors do not have a claim and thereby "prevent[s] the arbitrary action of a senior lienor from destroying the rights of a junior lienor or a creditor having less security.").

20. To do so would be to take adequate protection too far. The adequate protection granted to the Prepetition Secured Creditors would, in contravention of fundamental

adequate protection principles, plainly better their position. *See In re Pine Lake Vill. Apartment Co.*, 19 B.R. at 824 ("Neither the legislative history nor the [Bankruptcy] Code indicate that Congress intended the concept of adequate protection to go beyond the scope of protecting the secured claim holder from a diminution in the value of the collateral securing the debt.") As a result, the proposed package of lender concessions granted to the Prepetition Secured Creditors as "adequate protection" would greatly exceed the risk to their collateral position and, consequently, be unbalanced and improper.

21. To remedy this impropriety, greater protections should be made available to the unsecured creditors, including by:

- Limiting the scope of the Prepetition Secured Creditor replacement liens and superpriority claims to the Debtors' already encumbered assets or, if extended to unencumbered assets, only in an amount that is capped at the amount of DIP Facility proceeds actually used by each Debtor for its own benefit;

- Mandating, through the invocation of marshaling principles (as set forth *infra* ¶ D), that such adequate protection claims should only be payable out of unencumbered property after the secured lenders exhaust recoveries from their own collateral;

- Ensuring that surcharge under section 506(c) and section 552(b) relief remain available (as set forth *infra* ¶¶ B, C), to the Debtors to permit their estates to recover for the benefit of unsecured creditors some or all of the funds that will be expended under the DIP Facility to support the Debtors' ongoing operations;

- To address any mismatch between collateral value and DIP Facility liability, providing that any Debtor that pays off the DIP Facility claims against another Debtor should be subrogated to the DIP Facility's superpriority claims and liens for the benefit of unsecured creditors ahead of any claim for diminution in value by the Prepetition Secured Creditors;[2] and

[2] Upon becoming subrogated to the rights of a third-party creditor, a guarantor is entitled to enforce such creditor's claim, including all attendant rights and priorities, as if the third-party itself were asserting the claims. "[T]he secondary obligor, through subrogation, succeeds not only to the claim of the obligee against the principal obligor, but also to the priority status of that claim." RESTATEMENT (THIRD) OF SURETYSHIP & GUARANTY § 28 cmt; *see In re Chateaugay Corp.*, 89 F.3d 942, 947 (2d Cir. 1996) ("Subrogation is one of the oldest of equitable doctrines. Under its rule, one 'compelled to pay a debt which ought to have been paid by another is entitled to exercise all the remedies which the creditor possessed against that other.'") (quoting *Am.*

- Mandating that to the extent any of the Prepetition Secured Creditors assert a section 507(b) claim for failure of adequate protection, that the value of the claim be measured by the value such creditors would have received if the Debtors had simply handed them the keys to the company as of the Petition Date, not based on going concern value, because going concern value is not available to such creditors today.[3]

22. Clarifying and limiting the scope of the adequate protection claim to be granted to the Prepetition Secured Creditors is critical to protect unsecured creditors who are otherwise being asked to bear the risks of proceeding. By way of further elaboration, any section 507(b) claim granted should be limited as follows to avoid a windfall to the Prepetition Secured Creditors:

- ***Diminution Should Be Measured Off of the Value of the Asset the Secured Creditor Could Realize Today, Not the Going Concern Value It Could Realize after the Expenditure of Estate Funds in the Future***: Given the operating losses of the enterprise, a secured creditor exercising remedies as to its collateral today would not likely recognize the going concern value of that collateral unless it spent significant dollars to keep the property operating pending a sale. Looked at differently, there is a cost to preserving/unlocking the going concern value for most of the Debtors' assets. The estates and their unsecured creditors should not bear the cost of preserving the going concern value, especially to the extent they do not share in that going concern value. At the very least, this means that the Debtors and the Committee must not waive the ability to seek marshaling of the assets or the protections afforded by section 552(b) and section 506(c) surcharge at this time.[4]

Sur. Co. v. Bethlehem Nat'l Bank, 314 U.S. 314, 317); *In re Wingspread Corp.*, 116 B.R. 915, 931 (Bankr. S.D.N.Y. 1990) *aff'd*, 145 B.R. 784 (S.D.N.Y. 1992), *aff'd without opinion*, 992 F.2d 319 (2d Cir. 1993) ("But the doctrine of subrogation, if applicable, is not restricted to the claim itself; one who is entitled to invoke the doctrine of subrogation is entitled to the benefit of the rights that flow with the claim."); *In re Miller (Miller v. Concord-Liberty Sav. & Loan Ass'n)*, 72 B.R. 352, 353 (Bankr. W.D. Pa. 1987) ("[O]nce the right to subrogation is established, the subrogee becomes subrogated to all rights of the creditor against the principal debtor, including the security given to secure the debt").

[3] *See Official Comm. of Unsecured Creditors ex rel. the Estates of the Debtors v. UMB Bank, N.A. (In re Residential Capital, LLC)*, 501 B.R. 549, 567 (Bankr. S.D.N.Y. 2013) (holding that petition date value for purposes of section 507(b) claims must be calculated with view to obstacles to realization on petition date and depressed value of similar assets in hands of similarly distressed parties).

[4] *Id.* at 569.

- ***The Adequate Protection Claim Should Be Limited by Debtor Entity***: The Debtors' estates are being jointly administered but have not been substantively consolidated. Consequently, to the extent a secured creditor can assert an adequate protection claim for diminution, it must be asserted solely against the secured creditor's counterparty, not against all of the Debtors.[5]

- ***The Adequate Protection Claim Remains Subordinate To Post-Petition Borrowings:*** Some of the Debtors are supported by funding by other Debtors. To the extent a borrowing Debtor obtains proceeds directly from the DIP Facility and/or a lending Debtor provides post-petition funds to a borrowing Debtor, the claim arising from the post-petition lending must be senior in right to the adequate protection claim. In short, whomever provides post-petition financing (or satisfies that financing) is entitled to a senior claim ahead of the adequate protection claim. That is the import of the Prepetition Secured Creditors' consent to being primed.

23. The foregoing changes to the terms of the DIP Facility and Final DIP Order would reasonably ensure that there will be value remaining in the Debtors' estates after satisfaction of the DIP Facility for the benefit of unsecured creditors.

B. Section 506(c) Waiver

24. The Final DIP Order contains a waiver, applicable to both the DIP Lender and the Prepetition Secured Lenders, of the Debtors' rights under section 506(c) of the Bankruptcy Code to surcharge the collateral to satisfy the costs of preserving the collateral. (Final DIP Order ¶ 5(e).) The Committee does not object to this waiver insofar as it applies to the DIP Lender. The Prepetition Secured Creditors, however, are a different story because the practical effect of a section 506(c) waiver as to them, as set forth above, is to eliminate a further avenue of recovery for the Debtors' estates and to materially increase the prospect that the costs of the Debtors' chapter 11 process would be borne by the unsecured creditors alone.

[5] *Id.*

25. A section 506(c) surcharge may be particularly necessary if the Debtors' ambitious plan to sell off their assets in side-by-side or serial sales fail. Yet, the very parties seeking to extract this waiver are the parties who have pressured the Debtors to rush headlong into these sales or face material loss of value. This approach may turn out to be wrong. If it does, any such waiver would contravene the intent behind Congress's inclusion of section 506(c) in the Bankruptcy Code. *See, e.g., In re Codesco, Inc.*, 18 B.R. 225, 230 (Bankr. S.D.N.Y. 1982) ("The underlying rationale for charging a lienholder with the costs and expenses of preserving or disposing of the secured collateral is that the general estate and unsecured creditors should not be required to bear the cost of protecting what is not theirs."). Under such circumstances, this Court should reject the proposed section 506(c) waiver, insofar as it applies to the Prepetition Secured Creditors.

26. Courts often reject attempted waivers of surcharge rights under section 506(c). *See, e.g., Hartford Fire Ins. Co. v. Norwest Bank Minn., N.A. (In re Lockwood Corp.)*, 223 B.R. 170, 176 (B.A.P. 8th Cir. 1998) (holding that provision in DIP financing order purporting to immunize lender from Bankruptcy Code section 506(c) surcharges was unenforceable and would create an improper windfall); *In re Colad Grp.*, 324 B.R. 208, 224 (W.D.N.Y. 2005) (refusing to approve DIP financing with a section 506(c) waiver intact); *In re Brown Bros.*, 136 B.R. 470, 474 (W.D. Mich. 1991) (concluding that a Bankruptcy Code section 506(c) waiver "is not enforceable in light of the congressional mandate that a trustee have the authority to use a portion of secured collateral for its preservation or proper disposal"). This Court should do the same here.

C. Section 552(b) Waiver

27. The Final DIP Order also contains a blanket waiver of the estates' rights under section 552(b) of the Bankruptcy Code. (Final DIP Order ¶ 5(e).) Under the current facts, as set forth above, there is no reason that the Prepetition Secured Parties should benefit from the Debtors' gratuitous waiver of this important right, particularly at unsecured creditors' expense.

28. The equities of the case exception contained in section 552(b) of the Bankruptcy Code allows the Debtors, the Committee, and other parties in interest to argue that equitable considerations justify the exclusion of postpetition proceeds from a secured creditor's collateral package.

29. Waiving the equities of the case exception at this time is inappropriate. The Court cannot possibly determine the "equities of the case" only weeks after the Petition Date, or order the elimination today of a remedy that could be based on the "equities of the case" tomorrow. Thus, any finding of fact that prospectively waives the "equities of the case" exception set forth in section 552(b) is premature. *See, e.g.*, *Sprint Nextel Corp. v. U.S. Bank Nat'l Ass'n (In re TerreStar Networks, Inc.)*, 457 B.R. 254, 272-73 (Bankr. S.D.N.Y. 2011) (denying request for 552(b) waiver as premature because factual record was not fully developed); *In re Metaldyne Corp.*, 2009 WL 2883045, at *6 (Bankr. S.D.N.Y. June 23, 2009) (declining to waive equities of the case exception in connection with approval of debtor's use of cash collateral).

30. Instead, the Committee believes that the rights of all parties to argue that the equities of the case exception applies should be preserved and that the proposed waiver should simply be deleted from the Final DIP Order.[6]

D. Waiver of Marshaling Principles

31. The Final DIP Order also contains a waiver, ***applicable solely to the DIP Lender***, of the estates' rights under the marshaling doctrine. (Final DIP Order ¶ 28(e).) The equitable doctrine of marshaling requires a secured creditor first to seek recovery from assets against which other creditors do not have a claim before looking to common assets. Marshaling "prevent[s]

[6] At a minimum, the order should be without prejudice to any party's rights to seek relief under section 552(b) based on any facts that arise after the date of the Final Order. *See, e.g., In re Excel Maritime Carriers, Ltd.*, Case No. 13-23060-RDD, ECF No. 133 at p. 13 (Bankr. S.D.N.Y. Aug. 6, 2013) (containing such a reservation).

the arbitrary action of a senior lienor from destroying the rights of a junior lienor or a creditor having less security." *Meyer v. United States*, 375 U.S. at 237.

32. In the context of a chapter 11 case, the representative of a bankruptcy estate can assert equitable marshaling rights against secured creditors by virtue of the powers granted to the trustee by section 544(a) of the Bankruptcy Code.[7] In fact, the case law is clear that an official committee can stand in the shoes of the debtor in possession to pursue marshaling rights on behalf of the bankruptcy estate and all general unsecured creditors.[8] Thus, the Debtors' proposed categorical waiver of marshaling rights would adversely affect both its own and the Committee's rights in the Chapter 11 Cases.

33. The Committee submits that, as set forth above, any marshaling waiver as to the DIP Lender should be limited to its logical function in the context of the Final DIP Order—*i.e.*, the waiver should apply only in a scenario in which there is an Event of Default under the DIP Documents and the DIP Lender actually proceed to exercise remedies against the Debtors. Absent that scenario, there should not be a generalized waiver of marshaling rights, even as to the DIP Lender, because such a waiver could lead to a situation in which the DIP Lender is repaid with otherwise unencumbered assets—despite the absence of any default—leaving only encumbered assets in the Debtors' estates. Instead, the DIP Lender should be required to seek to recover (i) first, from the assets of Debtors that are DIP Facility obligors and actual recipients of DIP Facility

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[7] *See, e.g., Owens-Corning Fiberglas Corp. v. Ctr. Wholesale, Inc. (In re Ctr. Wholesale, Inc.)*, 759 F.2d 1440, 1446 (9th Cir. 1985); *United States v. Houghton (In re Szwyd)*, 408 B.R. 547, 550 (D. Mass. 2009); *Kittay v. Atl. Bank (In re Global Serv. Grp. LLC)*, 316 B.R. 451, 463 (Bankr. S.D.N.Y. 2004); *Official Comm. of Unsecured Creditors v. Lozinski (In re High Strength Steel, Inc.)*, 269 B.R. 560, 573-74 (Bankr. D. Del. 2001); *Official Comm. of Unsecured Creditors v. Hudson United Bank (In re America's Hobby Ctr., Inc.)*, 223 B.R. 275, 287 (Bankr. S.D.N.Y. 1998); *Fundex Capital Corp. v. Balaber-Strauss (In re Tampa Chain Co. Inc.)*, 53 B.R. 772, 777-78 (Bankr. S.D.N.Y. 1985)

[8] *See In re America's Hobby Ctr.*, 223 B.R. at 287; *accord In re High Strength Steel*, 269 B.R. at 573 (allowing trustee to continue to pursue marshaling claim originally contained in complaint filed by the official committee of unsecured creditors).

proceeds; (ii) then, from the assets of Debtors that are DIP Facility obligors but that received no DIP Facility proceeds; and (iii) finally, from all other sources of recovery.

34. In any event—and simply to reiterate the absence of any request for waiver beyond the DIP Lender—there is no justification whatsoever for the inclusion of the Prepetition Secured Parties or the Prepetition Collateral within the scope of the marshaling waiver. To the extent that a representative of the Debtors' estates could assert marshaling rights under section 544(a) of the Bankruptcy Code against the Prepetition Secured Parties on the Petition Date, nothing in the Final DIP Order should eliminate or otherwise affect those estate rights to the detriment of unsecured creditors.

E. Secured Creditor Fees and Expenses

35. The Final DIP Order also provides the Prepetition Secured Creditors with an unqualified right to have all of their professional fees paid from the Debtors' estates, with little clarity as to the likely amount of such fees expected to be incurred or to what review (if any) such fees will be subject. Thus, the line item currently in the Budget projects $100,000 per month in Prepetition Secured Creditor fees and expenses.[9] Given that there are five separate creditor groups and counsel involved, however, this number may be quite insufficient. In addition, by all appearances, the Prepetition Secured Creditors believe themselves entitled to both post-Petition Date fees, to which they are entitled as adequate protection, and pre-Petition Date DIP Facility-related fees and expenses, to which they (unlike the DIP Lender) are not entitled. (Budget at 1; Final DIP Order ¶ 13.) In addition, the review process (by the Debtors, the Committee, and the U.S. Trustee) applicable to the DIP Lender fees and expenses (Final DIP Order ¶ 13) is not unambiguously

[9] The Prepetition Secured Creditors believe they are entitled to both pre-and post-petition fees and costs. This is an issue that has not yet been resolved and will necessarily be part of the Committee's investigation of liens and claims.

applicable to the fees and expense of the Prepetition Secured Creditors.[10] Finally, while the Final DIP Order does provide for the recharacterization as principal of interest payments to which it is determined the Prepetition Secured Creditor are not entitled under section 506(b), there is, as there should be, no parallel provision for the disgorgement of fees and expenses paid to the Prepetition Secured Creditors under such circumstances. (DIP Order ¶ 5(c).) All of these unresolved issues must be addressed if the Final DIP Order is to be approved.

F. Asset Sale Process Milestones, Covenants, and Events of Default

36. The DIP Credit Agreement improperly dictates the parameters of the Debtors' asset sale process. For example, the DIP Credit Agreement includes a requirement that a motion seeking approval of a sale of substantially all of the Debtors' assets must be presented for Court approval ***a mere 60 days after the Petition Date for a price that could be as low as $700 million***,[11] a sum that likely would leave little to no recovery for unsecured creditors. (DIP Credit Agreement ¶ 9.1(q)(x).) Further, if the Court fails to grant the motion within 30 days of filing, an event of default occurs under the DIP Credit Agreement allowing the DIP Lender to exercise full remedies

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[10] The Committee reserves all of its rights and remedies as to the receipt of *any* special benefits, including by way of adequate protection or otherwise, by the Insiders under the Final DIP Order. The Insiders' involvement in the affairs of the Debtors and related non-debtors is suspect, and the Committee fully intends to investigate the conduct, liens and claims of the Insiders and their affiliates, subsidiaries, agents, officers, directors, employees, attorneys, and advisors with respect to the Debtors. To extent that their secured claims are ever determined to be subject to recharacterization or subordination, the Committee will seek invalidation and/or disgorgement of any adequate protection afforded to them.

[11] The DIP Credit Agreement provides the Debtor with the option of filing, within "60 days following the Petition Date," ***either*** (i) "a motion for approval of bid procedures for an identified stalking horse bidder in an amount of at least $235,000,000 of cash consideration in connection with the sale of the St. Louise and O'Connor Hospitals and related assets pursuant to section 363(b) and (f) of the Bankruptcy Code (the 'Bid Procedures Motion') on terms and conditions acceptable to the DIP Agent;" ***or*** (ii) "a motion for approval of a negotiated asset purchase agreement executed by a third party for the entire hospital system with expected consideration in the form of cash or assumption of prepetition secured debt in an amount not less than $700,000,000 and the simultaneous payment in full of the obligations owed, and termination of all commitments of the DIP Agent and DIP Lenders, under the DIP Credit Facility (the 'Sale Motion')." (DIP Credit Agreement § 7.2.) Failure by the Debtors to file the requisite motion would have a material adverse impact (for a 30-day period) on availability under the DIP Facility's Borrowing Base. (*Id.*)

against the Debtor and the collateral granted thereunder.[12] The chapter 11 process would, in other words, be concluded even before it had ever commenced.

37. In addition, while the Committee has no objection to a requirement that the sale proceeds be sufficient to satisfy the DIP Facility debt, there is no basis for mandating that these proceeds also be sufficient (and no more than sufficient) to satisfy the Prepetition Secured Creditor debt. Further, there is no articulated need for the Court's rush to approve these critical sales. These requirements, and all similar provisions, should be excised from the DIP Credit Agreement and the Final DIP Order.

G. Committee Fees and Expenses

38. The Prepetition Secured Creditors seek to minimize the role of the Committee, as the primary watchdog of the Debtors' estates in these Chapter 11 Cases, by refusing to furnish adequate resources in the Budget to fund its activities. The need for active involvement by the Committee in not-for-profit cases is underscored by the Debtors' fiduciary duty to their "mission," rather than to the stakeholders in these cases. (*See supra*, ¶ 13.) The Budget currently allocates $100,000 per month to Milbank and $50,000 per month to FTI, whereas the Debtors' professionals are allotted a monthly budget in excess of $1 million. Given the critical role the Committee is anticipated to play in these cases, the professional fee amounts budgeted for the Committee will most likely prove inadequate, and they will have to be increased to address the Committee's actual and necessary funding needs. The Committee frankly questions the need for any budget as to the Committee's fees. Such costs will be dictated by the events in the Chapter 11 Cases and the advisors' fees and expenses are subject to court approval regardless.

[12] The DIP Credit Agreement provides that the Court has 30 Days to Approve Asset Sale Bid Procedures. The Events of Default set forth in the Credit Agreement indicate a default will occur the following occurs: "(xvi) the failure of the Bankruptcy Court to approve any Asset Sale Bid Procedure Order or the Consolidated Sale Motion within thirty (30) days of the filing of the applicable Asset Sale Bid Procedure Order or Consolidated Sale Motion, respectively" (DIP Credit Agreement § 9.1(q)(xvi).)

H. Investigation Period

39. The proposed Final DIP Order also imposes extensive restrictions on the Committee's ability to investigate the Debtors' numerous prepetition transactions, including the validity of the various Prepetition Facilities. The proposed Final DIP Order only allots the Committee ninety (90) days from its appointment (the "Investigation Period") to investigate and challenge the liens and claims of the Prepetition Secured Creditors. (Final DIP Order ¶ 5(d).) While it is far from clear that this short time period will be sufficient, the Committee is prepared to accept it on the understanding that it can be extended by Stipulation among the Debtors, the Committee, and the Prepetition Secured Creditors, or, of course, the Court upon motion by the Committee.

40. By way of preview of the potential need for more time, this is not the typical case where the Committee is seeking to review the liens and claims of one or two prepetition lender groups. The Debtors have a diverse and complex capital structure with five (5) somewhat unusual secured facilities as to which there is more than $560 million in claims outstanding, secured by several separate collateral pools, all extant in a highly regulated environment with many governmental and non-governmental actors on the scene. The Committee intends to engage in a thorough investigation of the Prepetition Secured Creditors' liens and claims, and that exercise will need to be done as quickly and efficiently as possible, but it is impossible to determine exactly how long that will take at this time.

I. Investigation Budget

41. Likewise, the proposed Final DIP Order seeks to limit the Committee to a budget of $100,000 (the "Investigation Budget") to investigate liens and claims of Prepetition Secured Creditors holding claims exceeding $560 million. (Final DIP Order ¶ 5(d).) The review of the Prepetition Facilities and perfection of liens thereon is a fact-intensive analysis that will require the review of extensive documents and filings. While the Committee acknowledges (as the Debtors

have conceded) that there are unencumbered assets that could be used to fund an investigation, as noted above, these unencumbered assets are now subject to, among other obligations, the adequate protection liens and claims granted to the Prepetition Secured Creditors. (Id. ¶ 4.(a).) The Committee's professionals should not be compelled to bear the risk that there will be inadequate or no unencumbered assets at the end of the Chapter 11 Cases to satisfy their fees. In order to avoid this outcome, the Investigation Budget should be increased to $250,000,[13] subject to this amount being increased by the Court for cause. In addition, any limitation on use of Investigation Budget proceeds to investigate or sue should be limited to the prepetition liens and claims of the Prepetition Secured Creditors.

J. Carve-Out

42. In the same vein, the Prepetition Secured Creditors seek to keep the Committee on a short leash by allocating to it a share of the Carve-Out that is far too low ($150,000). (Final DIP Order ¶ 16.) If the default required to trigger access to the Carve-Out were to occur, the Committee would need to be fully armed to preserve what could be saved for the benefit of unsecured creditors. The proposed $150,000 amount would not come close to satisfying the Committee's likely funding needs, so this amount should be adjusted upward to a point where (whatever the aggregate amount of Carve-Out) the ratio as between the Debtors and the Committee is two to one (*e.g.*, at $2,000,000, the Debtors' share would be $1,333,333 and the Committee's share would be $666,667).

[13] This amount is in accordance with other large postpetition financing approved in other districts. *See; In re Great Atl. & Pac. Tea Co.*, No. 10-24549 (RDD) (Bankr. S.D.N.Y. Jan. 11, 2011) [Docket No. 479] (approving, upon committee's objection, increase in cap on committee's investigation budget from $100,000 to $250,000); *In re TerreStar Networks, Inc.*, No. 10-15446 (SHL) (Bankr. S.D.N.Y. Nov. 18, 2010) [Docket No. 181] (approving, upon committee's objection, increase in cap on committee's investigation budget from $200,000 to $250,000); *In re Saint Vincents Catholic Med. Ctr. of New York*, No. 10-11963 (CGM) (Bankr. S.D.N.Y. May 17, 2010) [Docket No. 285] (approving, upon committee's objection, increase in cap on committee's investigation budget from $20,000 to $250,000)

43. In addition, the Carve-Out must only apply to fees and expenses accrued and to be paid after the Carve-Out Trigger Date. The Final DIP Order does not clearly so provide in its current form, and it must be amended to fully preserve the bargain between the Debtors, the Committee and the secured creditors reflected in the Carve-Out. To be clear, accrued fees and costs not paid before the Carve-Out Trigger Date must be paid in addition to the Carve-Out.

K. Exercise of Remedies

44. The Final DIP Order provides that, upon an event of default under the DIP Facility, the automatic stay is immediately modified to permit the DIP Lender to exercise its remedies under the DIP Credit Agreement, including the foreclosure upon, and the sale of, the DIP Collateral. (Final DIP Order ¶ 24.) This provision is unfair to the Debtors' estates and not consistent with the rights generally granted with respect to the exercise of remedies in a DIP order context. In keeping with such precedent, the Final DIP Order should provide for a five- (5) business day notice period and the opportunity for any party in interest to be heard before foreclosure or sale of the DIP Collateral or the exercise of any other DIP Facility remedies that could be undertaken by the DIP Lender.

L. Reports and Budget

45. The Debtors are required to provide various financial reports to the DIP Lender and the Prepetition Secured Creditors, as well as a budget as revised on a periodic basis. (Final DIP Order ¶ 7.) The Debtors should be required to provide the Committee with such reports and updated budgets at the same time they are provided to the DIP Lender and the Prepetition Secured Creditors, with the Committee also having consultation rights as to the budgets.

M. Credit Bidding

46. The Final DIP Order grants to both the DIP Lender and the Prepetition Secured Creditors the right to credit bid at any sale of the Debtors assets pursuant to section 363 of the Bankruptcy Code. (Final DIP Order ¶ 15.) However, the right thus granted is too broad and

unqualified. Any credit bidding undertaken by either the DIP Lender or the Prepetition Secured Creditors must fully comply with all of the requirements of section 363(k).

N. Asset Sale Proceeds

47. The Final DIP Order does not clearly specify the conditions under which the "Sale Proceeds" of DIP Collateral may be applied to existing pre- or post-Petition Date debt. (Final DIP Order ¶ M.) The Final DIP Order does require that "any Sale Proceeds and deposits provided in connection with any asset sale" be disbursed to the Prepetition Secured Creditors only "upon further order of this Court." (*Id.*) It does not similarly require a "further Order of this Court" to permit the application of Sale Proceeds to satisfy (in full or part) the DIP Facility. It must be amended to so provide.

III. RESERVATION OF RIGHTS

48. The Committee expressly reserves all rights, claims, defenses, and remedies, including, without limitation, to supplement and amend this Objection, to raise further and other objections to the DIP Motion and the form of Final DIP Order, and to introduce evidence prior to or at any hearing regarding the DIP Motion in the event that the Committee's objections are not resolved prior to such hearing. Discussions between the Debtors and the Committee's professionals are ongoing and, as such, additional items of concern may come to light.

IV. CONCLUSION

49. The Court should reject "proposed terms that would tilt the conduct of the bankruptcy case; prejudice, at an early stage, the powers and rights that the Bankruptcy Code confers for the benefit of all creditors; or leverage the Chapter 11 process by preventing motions by parties-in-interest from being decided on their merits." *In Re Ames Dept. Stores, Inc.*, 115 B.R. at 38. The Court should require that the foregoing changes be made and any other problematic provisions in the

Final DIP Order and DIP Credit Agreement be excised and/or amended as a condition to granting the relief requested in DIP Motion on a final basis.[14]

WHEREFORE, the Committee respectfully requests that the Court modify the proposed Final DIP Order and the DIP Credit Agreement as set forth herein and grant such other and further relief as may be just and proper.

DATED: September 27, 2018

MILBANK, TWEED, HADLEY & McCLOY

/s/ Gregory A. Bray
GREGORY A. BRAY
MARK SHINDERMAN
JAMES C. BEHRENS

Proposed Counsel for the Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al.

[14] To be clear, only a few of the Committee's concerns and issues apply to the proposed DIP Lender and protections offered that lender. Almost all relate to the proposed adequate protection for the Prepetition Secured Creditors.

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 E, 33rd Floor, Los Angeles, CA 90067.

A true and correct copy of the foregoing document entitled (*specify*): **OFFICIAL COMMITTEE OF UNSECURED CREDITORS' LIMITED OBJECTION TO DEBTOR'S MOTION FOR AUTHORITY TO OBTAIN POSTPETITION FINANCING AND RELATED RELIEF [DKT. 31]**

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*) September 27, 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*) September 27, 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*) September 27, 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.

☒ 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.

September 27, 2018	Ricky Windom	/s/ Ricky Windom
Date	*Printed Name*	*Signature*

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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession.	Lead Case No. 2:18-bk-20151-ER 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-20181-ER
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	Chapter 11 Cases **NOTICE OF ERRATA TO OMNIBUS REPLY OF DEBTORS' TO THE OBJECTIONS TO THE DEBTORS' MOTION 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. SECTIONS 105, 363, 364, 1107 AND 1108**

THE HONORABLE ERNEST M. ROBLES, UNITED STATES BANKRUPTCY JUDGE FOR THE CENTRAL DISTRICT OF CALIFORNIA, AND ALL PARTIES ENTITLED TO NOTICE:

PLEASE TAKE NOTICE that Verity Health System of California, Inc. and the above-referenced affiliated debtors, the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the "Debtors") hereby correct Exhibit 1 to the *Omnibus Reply of Debtors' to the Objections to the Debtors' Motion 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. Sections 105, 363, 364, 1107 and 1108* [Exhibit 1 to Docket No. 309] (the "Proposed Final Order"), which inadvertently failed to capture a change to paragraph 5(a) of the Proposed Final Order. The Debtors attach hereto as **Exhibit A** a corrected change page to the Proposed Final Order.

Dated: September 27, 2018

DENTONS US LLP
SAMUEL R. MAIZEL
JOHN A. MOE, II
TANIA M. MOYRON

By /s/Tania M. Moyron
Tania M. Moyron

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EXHIBIT A

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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, 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 ~~have the same relative priority, validity, force, extent and effect as the liens that they replace and which shall~~ be junior only to (1) the Carve Out, (2) to the DIP Liens securing the DIP Obligations, (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 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. With respect to the Prepetition Collateral that is subject to the Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition

Attorney or Party Name, Address, Telephone & FAX Nos., State Bar No. & Email Address

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☐ *Individual appearing without attorney*
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FOR COURT USE ONLY

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

In re:

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., et al.

Debtor(s).

CASE NO.: 18-21051

CHAPTER: 11

STATEMENT REGARDING CASH COLLATERAL OR DEBTOR IN POSSESSION FINANCING [FRBP 4001; LBR 4001-2]

DATE:
TIME:
COURTROOM: 1568
ADDRESS: 255 E. Temple St., Los Angeles, CA

Secured party(ies): Ally Bank

The Debtor has requested the approval of either (1) a motion for use of cash collateral, or postpetition financing, or both, or (2) through a separately-filed motion, a stipulation providing for the use of cash collateral, or postpetition financing, or both. The proposed form of order on the motion or the stipulation contains the following provisions or findings of fact:

Disclosures Tracking FRBP 4001(c)(1)(B)(i) through (xi) and (d)(1)(B)	Page No.:	Line No. (if applicable)
☒ (i): "[A] grant of priority or a lien on property of the estate under § 364(c) or (d)"		
☐ (ii): "[T]he providing of adequate protection or priority for a claim that arose before the commencement of the case, including the granting of a lien on property of the estate to secure the claim, or the use of property of the estate or credit obtained under § 364 to make cash payments on account of the claim" ☐ Cross-collateralization, *i.e.*, clauses that secure prepetition debt by postpetition assets in which the secured party would not otherwise have a security interest by virtue of its prepetition security agreement or applicable law ☐ Roll-up, *i.e.*, provisions deeming prepetition debt to be postpetition debt or using postpetition loans from a prepetition secured party to pay part or all of that secured party's prepetition debt, other than as provided in § 552(b)		

Continued from page 1 ☐ Grant a replacement lien in an amount in excess of the dollar amount of the lien on cash collateral as of the petition date		
☐ (iii): "[A] determination of the validity, enforceability, priority, or amount of a claim that arose before the commencement of the case, or of any lien securing the claim"		
☐ (iv): "[A] waiver or modification of Code provisions or applicable rules relating to the automatic stay" ☐ Automatic relief from the automatic stay upon occurrence of certain events.		
☐ (v): "[A] waiver or modification of any entity's authority or right to file a plan, seek an extension of time in which the debtor has the exclusive right to file a plan, request the use of cash collateral under § 363(c), or request authority to obtain credit under § 364"		
☐ (vi): "[T]he establishment of deadlines for filing a plan of reorganization, for approval of a disclosure statement, for a hearing on confirmation, or for entry of a confirmation order"		
☐ (vii): "[A] waiver or modification of the applicability of nonbankruptcy law relating to the perfection of a lien on property of the estate, or on the foreclosure or other enforcement of the lien"		
☐ (viii): "[A] release, waiver, or limitation on any claim or other cause of action belonging to the estate or the trustee, including any modification of the statute of limitations or other deadline to commence an action"		
☐ (ix): "[T]he indemnification of any entity"		
☐ (x): "[A] release, waiver, or limitation of any right under § 506(c)" ☐ The granting of any lien on any claim or cause of action arising under § 506(c)		
☐ (xi): "The granting of any lien on any claim or cause of action arising under §§ 544, 545, 547, 548, 549, 553(b), 723(a), or 724(a)"		
Additional Disclosures Required by LBR 4001-2	**Page No.:**	**Line No. (if applicable)**
☐ With respect to a professional fee carve out, disparate treatment for professionals retained by a creditors' committee from that provided for the professionals retained by the debtor		
☐ Pay down prepetition principal owed to a creditor		
☐ Findings of fact on matters extraneous to the approval process		

09/28/2018 Tania M. Moyron /s/ Tania M. Moyron
Date *Printed Name* *Signature*

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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Ernest M. Robles
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**OMNIBUS SUPPLEMENTAL REPLY OF DEBTORS' TO THE OBJECTIONS TO THE DEBTORS' MOTION 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** FINAL HEARING: Date: October 3, 2018 Time: 10:00 a.m. Place: Courtroom 1568

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Verity Health System of California, Inc. ("**VHS**"), and the above-referenced affiliated debtors, the Debtors and Debtors in possession (the "**Debtors**") in the above-captioned chapter 11 cases (the "**Cases**"), submit this Omnibus Supplemental Reply (the "**Omnibus Supplemental Reply**") to the objections to the *Debtors' Motion 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* (the "**DIP Motion**")[1] [Docket No. 31], dated August 31, 2018 and hereby state and declare as follows:

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I. PRELIMINARY STATEMENT

The DIP Motion requests authority for the Debtors to, among other things, (i) enter into a senior secured, superpriority debtor in possession financing facility with the DIP Lender in an amount up to total lending of not more than $185,000,000, (ii) authorize the interim use of Cash Collateral; (iii) grant "adequate protection" to the Prepetition Secured Creditors; and (iv) modify the automatic stay as imposed by § 362 of the Bankruptcy Code[2] to the extent necessary to implement and effectuate the terms of the DIP Facility. On September 5, 2018, the Court entered the Interim Order [Docket No. 86] granting the Debtors authority to enter into the DIP Facility, in an interim amount not to exceed $30,000,000 and only as needed to avoid immediate and irreparable harm, on an interim basis. The Debtors now seeks the entry of a revised proposed Final Order. Attached hereto as **Exhibit 1** is a blackline copy of the revised proposed Final Order, showing all changes, including errata, from the previous version filed with the Court at Docket No. 309-1. The revisions reflect the requests of the DIP Lender and certain modifications inserted at the request of the Official Committee of Unsecured Creditors of Verity Health System of California. Inc. (the "**Committee**")

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[1] Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to them in the DIP Motion.

[2] All references to "sections" or "§" herein are to sections of the Bankruptcy Code, 11 U.S.C. §§ 101, et seq. unless otherwise noted.

The Debtors entered into several stipulations allowing certain parties additional time to object to the Debtors' DIP Motion. The Debtors submit this Omnibus Supplemental Reply in response to those objections.

II. OMNIBUS SUPPLEMENTAL REPLY TO DIP OBJECTIONS

1. The facts, circumstances and arguments relevant to this Omnibus Supplemental Reply are fully set forth in the DIP Motion, the Debtors' Omnibus Reply in Support thereof (the "**Omnibus Reply**") [Docket No. 309] and all declarations and documents submitted in support thereof. By Stipulation and orders of this Court, the following additional objections have been filed in opposition to the DIP Motion after the initial time for filing objections:

(a) Swinerton Builders' ("**Swinerton**") Limited Objection to Motion of Debtors for Final Orders (A) Authorizing the Debtors to Obtain Post Petition Financing Etc. [Docket No. 269] (the "**Swinerton Objection**");

(b) UMB Bank N.A. (the "**Master Trustee**") and Wells Fargo National Association's (the "**2005 Bond Trustee**" and together with the Master Trustee, the "**2005 Bond Parties**") Objection to 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 [Docket No. 292] (the "**2005 Bond Parties' Objection**"); and

(c) The Committee's Opposition to Emergency Motion of Debtors for Interim and Final Orders (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 [Docket No. 316] (the "**Committee Objection**").

A. Response to the Swinerton Objection

2. Swinerton purports to hold an inchoate mechanics lien on the Seton Medical Center ("**Seton**") real property as of the Petition Date, with asserted statutory rights to timely perfect its lien postpetition under both California law and the Bankruptcy Code. Swinerton asserts that it will record its lien, which ostensibly will relate back to October 16, 2017, the date it allegedly commenced work at Seton "in the coming days". Relying on its asserted rights to

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perfect its mechanic's lien postpetition, Swinerton objects to the DIP Motion to the extent it allows the Debtors to prime Swinerton's lien without also providing adequate protection. In order to resolve their objection, Swinerton requests that the Debtors modify the proposed Final Order to clarify that their mechanics' lien will not be subordinate to either the DIP Liens or the Prepetition Replacement Liens.

3. First, the Debtors acknowledge that under certain specific circumstances pursuant to California law and Bankruptcy Code § 546(b)(1), mechanics lien holders are able to record liens postpetition, notwithstanding the automatic stay, provided that no other steps are taken to enforce such liens. Therefore, if, as and when Swinerton has complied with all California law requirements for recording such a lien, then it may properly do so in the circumstances of this Case. The Debtors reserve all rights to challenge both the circumstances of the lien, the amount of the asserted debt and the timeliness of any efforts to record such lien.

4. However, as the purported holder of a prepetition perfected lien in property of the Debtors, Swinerton is no more or less exempt from having its lien primed by the Debtors postpetition borrowing and DIP Liens, than any other prepetition creditor in these Cases. As the Debtors have established in the DIP Motion, their Omnibus Reply and the supporting declarations submitted in support thereof, the Debtors were not able to find postpetition financing on terms better than those presented by the DIP Lenders. In particular, the DIP Lenders require that their liens prime all others pursuant to § 364(d)(1). Accordingly, the only way to preserve the value of these estates, for the benefit of all creditors, is to authorize the DIP Liens on a priming basis. As indicated in paragraphs 21-24 of the Chou Decl. [Docket 32] and in paragraphs 8-10 of Moloney Decl., there appears to be ample value in the Debtors' estates to ensure payment of any properly noticed, filed and recorded mechanics' liens, including, if applicable, one filed by Swinerton against Seton.

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5. Specifically, the Moloney Decl. provides that "based on the Debtors' consolidated balance sheet and my assessment of the realizable value of the Debtors' assets, I conclude that there is realizable value in excess of the prepetition secured liabilities of $150 - $225 million." *See* Moloney Decl. at ¶ 9. This represents an equity cushion of 26-40%. *Id.* Mr. Moloney further concludes that "the realizable value of the Debtors' assets will exceed the sum of the prepetition secured liabilities and outstanding borrowings under the DIP Facility at its termination date." *Id*. at ¶ 10.

6. To the extent proceeds of the DIP Loan and prepetition cash collateral are used by the Debtors to fund operating losses at Seton to preserve the value of the estates as a going concern and to fulfill the Debtors' mission to provide vital, lifesaving patient care for vulnerable populations, Swinerton's status as a voluntary creditor of the Debtors' is preserved. Should the Debtors determine to cease operating at Seton, or any other hospital facility, it would do so to avoid further losses and to preserve the value of the real estate on which Swinerton purports to have a lien thereby decreasing the risk of any diminution of value.

7. With respect to the Prepetition Replacement Liens relating to Seton, the Debtors can establish that the Obligated Bonds are the beneficiary of a 2001 deed of trust on the Seton property, recorded well before 2017. Specifically, the Deed of Trust by Seton Medical Center dated as of December 31, 2001 and recorded as Instrument No. 2002-000626 of Official Records in the County of San Mateo, State of California was recorded in favor of the Master Trustee, prior to October 16, 2017, the date on which Swinerton asserts it commenced work at the property. Attached hereto as **Exhibit 2** are true and correct copies of the California Lot Book, Inc. title report, and the San Mateo County Assessor-County Clerk-Recorder's Office's search results, each evidencing the filing of the above referenced Deed of Trust.[3] As such, Swinerton's

[3] The Debtors ask this Court to take judicial notice of these documents.

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mechanics lien would not have priority over Prepetition Liens in favor the Master Trustee on behalf of the 2005 Bonds or the Working Capital Notes. *See American Blg. Material Service Co. v. Wallin*, 116 Cal. App. 527, 530 (1931) (citing the general rule regarding priority of deeds of trust and mortgages over mechanics' liens is stated as follows: If recorded before any work is done or materials are commenced to be furnished, a deed of trust or mortgage is in the ordinary course of things prior to mechanics' liens). Correspondingly, Swinerton's mechanics lien should then not be superior to the Prepetition Replacement Liens or the liens of the Prepetition Secured Creditors either. Courts in this district routinely authorize replacement liens that preserve and mirror the order of priorities that existed prepetition. See *In re Gardens Regional Hospital*, 2017 WL 7101146 *4 (Bankr. C.D. Cal. 2017); *In re California Coastal Communities, Inc.*, Case No. 09-21712 (Bankr C.D. Cal. 2009) (Docket No. 559) (same). No additional adequate protection beyond the equity cushion is required to preserve the junior lien position of Swinerton vis-a-vis the unsecured creditors of Seton.

B. Response to the 2005 Bond Parties' Objection

(i) The Debtors are Not Required to Obtain Additional Evidence of the 2005 Bond Parties' Consent

8. Although the 2005 Bond Parties expressly consented to the Interim Order at the Interim Hearing, by means of oral representations by their counsel, the 2005 Bond Parties have now lodged an objection to the DIP Motion asserting that the Debtors have not obtained their consent to grant the DIP Liens as priming liens under § 364(d)(1). Presumptively, such objection extends to priming as to prepetition cash collateral, real estate and other prepetition acquired assets of the Debtors and not to postpetition accounts receivable and government receivables of the Debtors in which they have no security interest pursuant to § 552(a). However, as indicated in the Omnibus Reply, U.S. Bank as the Note Trustee for the senior Working Capital Notes has consented to the DIP Liens. To the extent needed with respect to the Debtors use of prepetition

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cash collateral supporting the Working Capital Notes, the oral and written consent of the 2017 Note Trustee and the 2015 Note Trustee are all that is minimally required to demonstrate consent to both the DIP Lien priming and the Prepetition Replacement Liens structure pursuant to §363(c)(2) and §363(e).

9. This conclusion is derived from section 2.4 of the Intercreditor Agreement, as shown in the Omnibus Reply.[4] Section 2.4 is an "Unconditional Subordination" provision that, *inter alia*, provides "…the Master Trustee [UMB Bank] hereby expressly agrees that the Note Trustee [U.S. Bank] may… without notice to or consent of the Master Trustee …(iv) take, exchange, amend, eliminate, surrender, release, or subordinate any or all security for any or all of the obligations of the Obligors [the Debtors] under the Note Documents or the MTI Note Obligations, accept additional or substituted security therefore, or perfect or fail to perfect the Note Trustee's rights in any or all security;… ." Accordingly, the Intercreditor Agreement expressly permits U.S. Bank to consent to the DIP Liens, the proposed Final Order, the structure and terms of the adequate protection provided for therein and the Prepetition Replacement Liens. Such consent is enforceable in this Court pursuant to § 510(a). *See, In re Howland*, 545 B.R. 653 (Bankr. D. Or. 2015) (discussing enforcement of contractual subordination under 11 U.S.C. §510(a)).

10. As a result, of the Intercreditor Agreement, the 2017 Note Trustee and 2015 Note Trustee's consent to the DIP Liens and the Prepetition Replacement Liens also is binding with respect to the Debtors use of non-cash collateral listed on Schedule C of the Intercreditor Agreement, i.e., all of the other assets of the two Debtors, St Francis Hospital and Saint Louise Regional Hospital.

[4] U.S. Bank, as Note Trustee for the Working Capital Notes, and the 2005 Bond Parties, as successor trustees and the Debtors, are parties to the Intercreditor Agreement (as defined in the Interim Order). See Docket No. 219-1.

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11. Alternatively, regardless of whether the U.S. Bank's consent is binding on the Master Trustee with respect all of the remaining collateral supporting the Working Capital Notes, which constitute the balance of the Master Trustee's collateral consisting of all of the remaining assets of the Hospital Debtors and VMF, the Debtors' proposed package of payments, equity cushion and Prepetition Replacement Liens constitutes adequate protection for the 2005 Bond Parties.

12. The Debtors use of those prepetition assets, which do not constitute cash collateral, is not constrained under § 363(a) with the automatic need to provided adequate protection yet the Debtors have offered five forms of adequate protection on account of the combined imposition of the DIP Liens and use of cash collateral, including evidence of an equity cushion and payments of interest, trustee fees, and professional fees, replacement liens and superpriority expenses of administration claims for any diminution of value. As shown through the Chou Decl. and the Moloney Decl., the Debtors have met their burden with respect adequate protection of the interests of all of the Prepetition Secured Creditors.

13. As support for their argument, the 2005 Bond Parties cite to *Scottsdale Medical Pavilion v. Mutual Benefit Life Ins. Co. (In re Scottsdale Medical Pavilion)*, 159 B.R. 295, 302 (B.A.P. 9th Cir. 1993) suggesting that the Debtors may only incur the DIP Facility, and otherwise use their cash collateral, if they either obtain *all* Prepetition Secured Creditors' consent or provide a form of adequate protection to which all creditors consent. The 2005 Bond Parties' assertion is not correct.

14. In *Scottsdale Medical*, the Bankruptcy Appellate Panel stated that "[t]he trustee or debtor in possession may use cash collateral only upon the conditions set forth in § 363(c)(2). That subsection requires either consent by the creditor to the use of its cash collateral, ***or a court order authorizing its use***." 159 B.R. at 302 (emphasis added). Here, as noted above, the Debtors

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have already obtained the consent necessary to bind all of the Prepetition Secured Creditors, including the 2005 Bond Parties, for use of their cash collateral. Therefore, in light of Debtors proposed package of adequate protection the Debtors believe it would be proper for this Court to approve the proposed Final Order authorizing such use to which the controlling parties have consented and which is otherwise appropriate under the circumstances.

(ii) The Prepetition Replacement Liens are Sufficient to Establish Adequate Protection

15. The 2005 Bond Parties further assert that the Debtors have not yet proven that their Prepetition Liens are being adequately protected as required under § 364. But based upon the First Day Declaration, the DIP Motion and the cases cited therein, the Chou Decl. in support of the DIP Motion, the Supplemental Chou Decl. and the Moloney Decl. in support of the Omnibus Reply, the Debtors have established that all Prepetition Secured Creditors are adequately protected, as required by the Bankruptcy Code.

16. As noted above, the Moloney Decl. provides that there is realizable value in excess of the prepetition secured liabilities in this case. *See* Moloney Decl. at ¶ 9. Mr. Moloney articulates an equity cushion of anywhere between 26-40%. *Id.* Since, the Debtors have provided ample support to establish the sufficiency of the adequate protection package proposed, the 2005 Bond Parties' Objection should be overruled.

17. Second, the proposed adequate protection payments being made to the 2005 Bond Parties, i.e., payments equal to the contract rate of interest, plus attorneys' and financial advisor fees are adequate to preserve the 2005 Bond Parties' interests in their collateral. The 2005 Bond Parties have not argued that they are undersecured, nor that the DIP Liens alone render them undersecured.

18. Lastly, as also noted above, the 2005 Bond Parties are subordinate to the Note Collateral and the Working Capital Notes. U.S. Bank, as Note Trustee for the Working Capital

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Notes has already consented to the proposed Final Order and the sufficiency of the adequate protection provided for therein. The Note Trustee's consent should constitute further evidence of the fact that the Prepetition Replacement Liens are sufficient to constitute adequate protection against diminution of value, as required by § 363(e) of the Bankruptcy Code.

(iii) The Proposed Final Order Mirrors and Preserves the Lien Priority of All Prepetition Secured Creditors

19. The 2005 Bond Parties lastly assert that the proposed Final Order improperly provides for adequate protection liens to certain stakeholders that prime certain of the Prepetition Secured Creditors' Prepetition Liens. Specifically, the 2005 Bond Parties take issue with the fact that the proposed Final Order provides that the Prepetition Replacement Liens are subject to not only the Carve Out and the DIP Liens, but also the VMF Liens in the VMF Collateral and to certain prepetition liens granted by Verity Holdings to U.S. Bank as security for the Series 2017 Working Capital Notes. The 2005 Bond Parties assert that this priming would upend the Debtors' prepetition capital structure. The Debtors disagree and note that it is the Debtors' obligation to provide all prepetition secured creditors with a form of adequate protection when their collateral is utilized postpetition. *See e.g. In re Gardens Regional Hospital*, 2017 WL 7101146 *4 (Bankr. C.D. Cal. 2017); *In re Beam*, 1998 WL 34065297 (Bankr. C.D. Ill. 1998) (finding "creditor holding a prepetition security interest in cash collateral can petition to prevent its use or a debtor can petition for its use. It cannot be used unless the creditor's interest is adequately protected. One form of adequate protection is to grant the creditor a postpetition security interest in the same type of collateral as it took prepetition, what is commonly referred to as a replacement lien.").

20. First, the Prepetition Replacement Liens, as defined, do not include the VMF Liens under the proposed Final Order, as submitted on September 26, 2018, and as submitted herewith. The term "Prepetition Secured Creditors" does not include McKesson, but only includes the "Master Trustee, Wells Fargo as bond indenture trustee for the 2005 Notes, U.S. Bank as Note

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Trustee for the Working Capital Notes, and the MOB Lenders". *See* proposed Final Order at Finding G. Second, Prepetition Collateral is distinguished from assets subject to the Prepetition Replacement Liens. *See* proposed Final Order at Finding I. Third, Prepetition Secured Creditors have "additional valid, perfected and enforceable replacement security inters and Liens in the DIP Collateral (the "Prepetition Replacement Liens") which shall be junior only to (1) the Carve Out, (2) the DIP Liens, (3) the VMF Liens in VMF Collateral …. ". Finally, McKesson only "shall be entitled to a replacement lien of the postpetition assets of VMF, excluding Avoidance Actions ("VMF Replacement Lien"), …" subject to the Carve Out and the DIP Liens. Thus VMF Replacement Liens do not affect Prepetition Collateral or the 2005 Bond Parties.

21. It is correct that the MOB Lenders are granted certain access Prepetition Collateral not previously securing their debt through the Prepetition Replacement Liens. The 2005 Bond Parties and the 2017 Note Trustee and 2015 Note Trustee also receive adequate protection Prepetition Replacement Liens in the DIP Collateral supporting the MOB Lenders and the MOB Financing. It is a balance that enhances the protections available to both sides of the collateral stack.

22. The proposed Final Order, as drafted, in fact mirrors and preserves the prepetition lien priorities already agreed to by the various Debtor entities and their secured creditors. It further preserves the lien priorities that U.S. Bank, as Note Trustee for the Working Capital Notes, and the 2005 Bond Parties agreed to in the Intercreditor Agreement. The 2005 Bond Parties' suggested revisions appear to bring their liens into parity with those of U.S. Bank, in their capacity as Note Trustee for the Working Capital Notes. Such a revision would be contrary to the terms of the Intercreditor Agreement. As noted above, the proposed Final Order simply preserves the Prepetition Secured Creditors' prepetition contractual arrangements, as authorized

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by Bankruptcy Code §510(a) and *In re Howard*. As such, the 2005 Bond Parties' Objection should be overruled.

C. Response to the Committee Objection

23. The Committee objects to several provisions of the proposed Final Order, many of which are customary in chapter 11 cases of this size and scope. The Debtors will address each objection below, but all of the Debtors' responses must be colored by the following facts. The Debtors and their advisors negotiated DIP financing terms that are reasonable under the circumstances. The Committee Objection, throughout, ignores the incontrovertible fact that while several parties offered DIP financing prior to the Petition Date, no other party came forward to offer DIP financing on terms that were more favorable than those offered by the DIP Lenders here. Indeed, all others had materially worse economic and borrowing availability terms. And in exchange for financing on those terms, the DIP Lenders insisted on priming liens, customary waivers, such as waivers of the Debtors' surcharge rights under § 506(c), waiver of the equities of the case exception under § 552(b) and waiver of any requirement that the DIP Lender marshal their assets. The DIP Lenders also conditioned the DIP Facility on, among other things, the requirement that they have the full consent of the Prepetition Secured Creditors, which was secured for the Interim Order. The Debtors determined that under the circumstances of these cases and in the sound exercise of their business judgment, DIP financing on the terms proposed by the DIP Lenders fundamentally was better than no DIP financing at all, i.e., attempting to survive these Cases on use of prepetition cash collateral alone. There can be no doubt that these Debtors need the DIP Facility to preserve their mission as well as the value of their estates, and fund the going concern sales of the Hospitals for the benefit of all creditors, especially the unsecured creditors represented by the Committee and its counsel. The Debtors' conclusions are

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based on their experience with the business enterprise, the advice of their advisors who have been involved for months, and their management of the day to day operations of the businesses.

24. The Debtors further note that in addition to filing their objection, the Committee has provided the Debtors with a full mark up of the proposed Final Order which if adopted, would presumably resolve its objection. In the hopes of resolving as many open points as possibly, the Debtors have adopted some of the proposed changes, to the extent they do not contravene any of the Debtors' basic understandings with either the DIP Lender or the Prepetition Secured Creditors and McKesson.

(i) The Adequate Protection Liens and Claims

25. The Committee objects to the scope and extent of both the Prepetition Replacement Liens and Prepetition Superpriority Claims. The Committee contends that it is not proper for the Debtors to provide replacement liens on previously unencumbered assets. The Committee further contends that the Prepetition Replacement Liens improperly provide the Prepetition Secured Creditors with protections that would greatly exceed the risk to their collateral positions. The Debtors disagree.

26. Neither the Committee nor its constituents of unsecured creditors are entitled to any adequate protection, and they are not entitled to restrict the Debtors' ability to grant unencumbered assets as collateral in exchange for the infusion of new capital or use of cash collateral. *See In re Dairy Mart Convenience Stores, Inc.*, 351 F.3d 86, 90 (2d Cir. 2003). Moreover, section 364(c)(2) of the Bankruptcy Code explicitly authorizes a debtor to obtain credit "secured by a lien on property of the estate that is not otherwise subject to a lien" when unsecured credit is unavailable to it.

27. As noted above, the DIP Facility represents the only financing available to the Debtors at this time. And the DIP Lenders insisted on receiving priming liens in exchange for

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their financing. In order to satisfy the requirements under § 364(d) of Bankruptcy Code, that allow courts to authorize priming liens, the Debtors are required to granting adequate protection to the Prepetition Secured Creditors. Therefore, under the circumstances, the Prepetition Replacement Liens on unencumbered assets are appropriate.

(ii) Objections to the § 506(c) Waiver Should Be Overruled

28. The Committee further objects to the Debtors' proposal to grant a section 506(c) waiver to the Prepetition Secured Creditors arguing that the Debtors are giving away a potential recovery for the unsecured creditors. The Committee Objection should be overruled.

29. The Committee cites to several cases justifying courts' denial of the 506(c) waiver with facts that are not relevant to the Debtors' case. One such case is *In re Hartford Fire Ins. Co. v. Norwest Bank Minn., N.A. (In re Lockwood Corp.)*, 223 B.R. 170, 176 (B.A.P. 8th Cir. 1998), wherein the 8th Circuit B.A.P. cites to *Hartford Underwriters Inc. Co v. Magna Bank, N.A. (In re Hen House Interstate, Inc.)*, 150 F. 3d 868 (8th Cir. 1998). In *Hen House*, the 8th Circuit issued a blanket ruling that immunizing agreement that prohibit surcharge payment obligations under § 506(c) are unenforceable, on the basis that such provisions operate as a windfall to the secured creditors at the expense of the administrative claimants. *Id.* 870-71. The *Lockwood* Court went on to add that they "are constrained to follow the Eighth Circuit's expansive holding on this issue as binding precedent" but noted that the factual basis for the *Hen House* holding differed markedly from the matter at bar. *Id.* at nt 7. The *Lockwood* Court noted, however, that *Hen House* concerned an immunizing agreement between a prepetition secured creditor and a debtor while in *Lockwood*, the immunizing provision was entered into postpetition by a potential secured creditor contracting to immunize its potential future collateral from surcharge under Section 506(c). The *Lockwood* Court cautioned that being required to void such a clause, as a result of

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the *Hen House* precedent, could result in "the wellspring of postpetition lending by new lenders, to be greatly diminished, or even to evaporate completely." *Id.*

30. This prohibition against waiver of the 506(c) surcharge articulated by the Eighth Circuit, however, does not exists in the Ninth Circuit or in the Central District of California. *See In re Cooper Commons LLC*, 512 F.3d 533 (9th Cir. 2008) (affirming Central District of California Bankruptcy Court's approval of § 506(c) waiver for the benefit of the prepetition lender); *In re Gardens Regional Hospital and Medical Center, Inc.*, Case No. 16-17463 (ER) (Bankr. C.D. Cal. July 28, 2016) (Docket No. 257) (authorizing § 506(c) waiver for the benefit of the prepetition secured creditors in connection with approval of debtor's motion for postpetition financing and use of cash collateral); *In re Flamingo Investments*, 2010 WL 5167375 (Bankr. C.D. Cal. 2010) (authorizing section 506(c) waiver in connection with confirmation of debtor's chapter 11 plan of reorganization); *In re TRG Wood Products Inc.*, 2010 WL 5167544 (Bankr. C.D. Cal. 2010) (authorizing section 506(c) waiver for prepetition secured lender in connection with approval of debtor's motion for use of cash collateral); *In re California Coastal Communities, Inc.*, Case No. 09-21712 (Bankr C.D. Cal. 2009) (Docket No. 559) (authorizing § 506(c) waiver for the benefit of the prepetition secured creditors in connection with approval of debtor's motion for postpetition financing and use of cash collateral).

31. The Committee also cites to *In re Colad Grp.*, 324 B.R. 208, 224 (W.D.N.Y. 2005) where in the court refused to allow the secured creditor the benefit of the § 506(c) waiver stating simply that " this court can discern no basis to allow a secured creditor to ignore [§ 506(c)'s application]. Here, however, there are discernable reasons to allow for such a waiver.

32. First, absent the section 506(c) waiver, the Prepetition Secured Creditors would effectively be double-charged for this restructuring—once through the funding of the case with the proceeds of their collateral, and again if their recovery were to be limited by the use of the

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very funds they've allowed the Debtors access to. In addition, the Prepetition Secured Creditors are consenting to the use of their cash collateral and are therefore partially funding the Debtors' chapter 11 cases. Second, the Prepetition Secured Creditors' Prepetition Liens are being primed by the DIP Lien, which represents a risk to their recovery as it puts their claims behind a new $185 million in secured debt. Thus, it is unsurprising that courts have routinely approved similar § 506(c) waivers, particularly in cases, such as this one, where the Prepetition Secured Creditors would not authorize the use of their cash collateral absent the waiver. *See In re Real Mex Restaurants, Inc.*, Case No. 11-13122 (BLS) (Bankr. D. Del. Nov. 4, 2011); *In re Metaldyne Corp.*, 2009 WL 2883045 (Bankr. S.D.N.Y. 2009); *In re Antico Mfg. Co.*, 31 B.R. 103, 106 n.1 (Bankr. E.D.N.Y. 1983) (regarding an objection to a 506(c) waiver, the court noted that "[c]ertainly, the paragraph in question is not so detrimental or improper as to jeopardize the loss of the entire financing package").

33. Here, use of the Prepetition Secured Creditors cash collateral is critical to continued operation of the Debtors' estates and preservation of the estates' value for the benefit of all creditors. Accordingly, the Debtors believe, in their business judgment, that the waiver is appropriate given the benefits of continued use of the Prepetition Secured Creditors' cash collateral to the estates.

(iii) Objections to the § 552(b) Waiver Should Be Overruled

34. The Committee also objects to the proposed waiver of the Debtors' rights under §552(b) of the Bankruptcy Code, as they relate to the Prepetition Secured Creditors, arguing the Debtors are giving away an important right at the unsecured creditors' expense. For the same reasons noted above, this objection should be overruled.

35. Similar to § 506(c) waivers, waivers of the equities of the case exception contained in § 552 of the Bankruptcy Code are common in large chapter 11 cases and often granted when

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courts feel that the prepetition secured creditor is entitled to such protection in exchange for use of their cash collateral. *See, e.g.*, *In re California Coastal Communities, Inc.*, Case No. 09-21712 (Bankr C.D. Cal. 2009) (Docket No. 559) (authorizing waiver of § 552(b) "equities of the case" exception for the benefit of the prepetition secured creditors in connection with approval of debtor's motion for postpetition financing and use of cash collateral); *In re Golfsmith International Holdings, Inc.*, Case No. 16-12033 (LSS) (Bankr. D. Del. Sept. 16, 2016) (Docket No. 314); *In re Draw Another Circle, LLC*, Case No. 16-11452 (KJC) (Bankr. D. Del. June 14, 2016) (Docket No. 70); *In re Hancock Fabrics, Inc.*, Case No. 16-10296 (BLS) (Bankr. D. Del. Mar. 2, 2016) (Docket No. 273); *In re Residential Capital, LLC*, 501 B.R. 549, 572 (Bankr. S.D.N.Y. 2013). Such waiver is also justified here in exchange for the Prepetition Secured Creditors' authorization to use their cash collateral during the pendency of these Cases.

36. The Committee cites to *Sprint Nextel Corp. v. U.S. Bank Nat'l Ass'n (In re TerreStar Network, Inc.)*, 457 B.R. 254, 272-73 (Bankr. S.D.N.Y. 2001) to support its contention that the Debtors' request for a waiver of the equities of the case exception under § 552(b) should be denied as the factual record of this case has not yet been fully developed. But the facts in *TerreStar Network* are not analogous to facts at issue here, and the Committee's reliance on it is misplaced.

37. In *TerreStar Network,* an unsecured creditor brought an adversary proceeding challenging the validity and priority of the secured creditor's lien on the debtor's broadcast license. *Id.* at 257. Specifically, the unsecured creditor asserted that the lien should be invalidated or subordinated under § section 552(b)(1)'s equities of the case" doctrine. *Id.* at 270. While the parties cross moved for summary judgment on other issues, on this issue, the secured creditor conceded that the factual record was incomplete. *Id.* As a result, the Court concluded

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that the equitable claim, which is fact dependent, would not be ripe for summary judgment until after the completion of discovery. *Id.* at 258.

38. *TerreStar Network* did not address a debtor's request for a waiver of the § 552(b) exemption in the context of obtaining DIP financing or using cash collateral. So the only fact relevant to the § 552(b) analysis is whether the Debtors can use the Prepetition Secured Creditors cash collateral without, in exchange, granting the waiver. The Debtors have worked closely with the Prepetition Secured Creditors in order to obtain their consent to use their cash collateral in these Cases. Granting a waiver of the § 552(b) exception is a necessary component for receiving that consent.

39. In further response to the Committee's arguments regarding the §§ 506(c) and 552(b) waiver, the Debtors' note neither the DIP Lenders nor the Prepetition Secured Creditors have been granted liens on Avoidance Actions. So there are unencumbered assets in these estates available to the general unsecured creditors.

(iii) Objections to the Waiver of Marshaling Principles Should be Denied

40. The Committee objects to any waiver of marshaling rights against the DIP Lender in the proposed Final Order, absent an event of default under the DIP Credit Agreement, arguing that absent an event of default, such a waiver would allow the DIP Lender to be repaid with otherwise unencumbered assets thus leaving only encumbered assets in the Debtors' estates. However the Committee offers no reason why the Debtors, in their exercise of sound business judgment, cannot grant this waiver.[5]

41. As a threshold matter, the Debtors first contend that the Committee lacks standing to raise this argument. *See In re Advanced Mktg. Servs., Inc.*, 360 B.R. 421, 249 n.8 (Bankr. D.

[5] The Committee Objection further provides that nothing in the Final Order should eliminate or otherwise affect the Debtors' estates' rights to assert marshaling rights under §544(a) of the Bankruptcy Code against the Prepetition Secured Creditors. The Debtors' proposed Final Order does not seek to eliminate such rights against the Prepetition Secured Creditors.

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Del. 2007) (holding that unsecured creditor could not direct secured lenders to satisfy their claim using different collateral because marshalling is a protection for junior secured creditors). The marshaling doctrine allows a court to require a secured creditor to first satisfy its claim from property of the debtor in which a junior creditor lacks an interest—thus protecting the junior creditors' interest in property subject to both a senior and junior claim. *See In re Tampa Chain Co.*, 53 B.R. 772, 777 (Bankr. S.D.N.Y. 1985). Thus, only a secured creditor can invoke the doctrine of marshaling. *Galey & Lord, Inc. v. Arley Corp. (In re Arlco, Inc.)*, 239 B.R. 261, 274 (Bankr. S.D.N.Y. 1999) (holding that unsecured creditors have no right to invoke the doctrine of marshaling) (citing *Herkimer Cnty. Tr. Co. v. Swimelar (In re Prichard)*, 170 B.R. 41, 45 (Bankr. N.D.N.Y. 1994)).

42. The Committee, citing to *Official Comm. of Unsecured Creditors v. Hudson United Bank (In re America's Hobby Ctr.)*, 223 B.R. 275, 287 (Bankr. S.D.N.Y. 1998) for support, writes "the case law is clear that an official committee can stand in the shoes of the debtor in possession to pursue marshaling rights on behalf of the bankruptcy estate and all unsecured creditors." This statement omits a significant portion of the standing analysis, which is that the bankruptcy court must first approve the action.

43. The *America's Hobby Center* case relies heavily on *Unsecured Creditors' Committee v. Noyes (In re STN Enterprises)*, the controlling case in the Second Circuit addressing a committee's standing to initiate an adversary proceeding. 779 F. 2d 901 (2d Cir. 1985). In *STN*, the Second Circuit found that a bankruptcy court has the authority to deputize a committee to prosecute litigation on behalf of the estate. *Id.* at 904. Approval would be appropriate where the committee presented a colorable claim or claims for relief that on appropriate proof would support a recovery, and where the trustee or debtor in possession unjustifiably failed to bring suit or abused its discretion in not suing. *Id.* at 904. In considering the failure to bring suit, the lower

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courts were directed by the Circuit to consider whether an action asserting the proposed claims would be likely to benefit the reorganization estate, and as part of any such analysis, each lower court was directed to "assure itself that there is a sufficient likelihood of success to justify the anticipated delay and expense to the bankruptcy estate that the initiation and continuation of litigation will likely produce." *Id.*

44. The Ninth Circuit has identified a similar set of factors and considerations for implementation of its doctrine authorizing the deputation of committees to act on behalf of an estate. *See Liberty Mutual Ins. Co. v. Official Unsecured Creditors' Comm. of Spaulding Composites Co. (In re Spaulding Composites Co., Inc.)*, 207 B.R. 899 (9th Cir. B.A.P. 1997). The Ninth Circuit also considers whether the debtor consents or stipulations to representation by an unsecured creditors committee, whether the committee's interests conflict with those of the estate and whether the deputation of the committee would permit the debtor to concentrate its resources on rehabilitating its business. *Id.*

45. In *America's Hobby Center*, the Court followed the Second Circuit precedent in *STN* saying "there is good and sufficient reason to hold that a creditors' committee does not have unfettered discretion to sue simply on its own say-so." 223 B.R. at 280. Prior approval of committee commenced adversary proceedings is required because it "promotes the fair and orderly administration of the bankruptcy estate by providing judicial supervision over the litigation to be taken." *Id.* (Citing *Catwil Corp. v. Derf II (In re Catwil Corp.)*, 175 B.R. 362, 364 (Bankr. E.D. Cal.1994) (quoting *In re Curry and Sorensen, Inc.*, 57 B.R. 824, 828 (9th Cir. B.A.P. 1994)).

46. In *America's Hobby Center*, the committee argued it received prior authorization to bring the suit from the debtor, via a stipulation the debtor and the prepetition lender entered into authorizing the debtors to use the prepetition lender's cash collateral. The court disagreed

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finding that the stipulation did not relieve the committee of its need to first obtain bankruptcy court approval as a prerequisite to commencing an adversary proceeding on behalf of the chapter 11 estate. *Id*. at 278. The court then denied the committee authorization to pursue the marshaling claim on the grounds that "the claim, as pleaded is not sustainable." *Id*. at 287.

47. Here, the Committee has neither sought nor obtained bankruptcy court authority to commence an action to pursue marshalling rights, and the Debtors have not and likely will not consent to the commencement of such an action. Instead, the Debtors have specifically granted to the DIP Lenders and the Prepetition Secured Creditors a waiver of this requirement in exchange for the new financing and use of cash collateral that those parties are providing for the benefit of the estates. As such, the Committee's interests conflict with those of the estate. Further, the Committee is unlikely to establish that such a claim would be sustainable because, as noted above, and as acknowledged in *America's Hobby Center*, "an unsecured creditor may not utilize the doctrine of marshaling." *Id.* at 287.

48. Should the Court find that the Committee does have standing, however, then the Debtors contend that the limitation on marshalling is reasonable in these Cases. DIP lenders almost always insist on a waiver of marshaling principles and in turn, courts have routinely approved such limitations. Notably, this Court authorized a waiver of marshaling principles for both DIP lenders and prepetition secured creditors in *In re Gardens Regional Hospital and Medical Center, Inc.*, Case No. 16-17463 (ER) (Bankr. C.D. Cal. July 28, 2016) (Docket No. 257); s*ee also, e.g., In re California Coastal Communities, Inc.*, Case No. 09-21712 (Bankr C.D. Cal. 2009) (Docket No. 559) (providing that neither the DIP lender nor the prepetition lenders would be subject to the equitable doctrine of marshaling in connection with approval of debtor's motion for postpetition financing and use of cash collateral); *In re Thornwood Furniture Mfg., Inc.*, 2010 WL 6982070 (Bankr. D. Az. 2010)*; In re Filip Techs.*, Inc., No. 16-12192 (KG)

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(Bankr. D. Del. Oct. 27, 2016); *In re Golfsmith International Holdings, Inc.*, Case No. 16-12033 (LSS) (Bankr. D. Del. Sept. 16, 2016); *In re Xerium Techs.*, Inc., Case No. 10-11031 (KJC) (Bankr. D. Del. Apr. 28, 2010); *In re Visteon Corp.*, Case No. 09-11786 (CSS) (Bankr. D. Del. Nov. 12, 2009); *In re Linens Holding Co.*, Case No. 08-10832 (CSS) (Bankr. D. Del. May 28, 2008).

49. In addition, the DIP Lenders would not provide the DIP Facility without this negotiated for protection. Accordingly, the Debtors conclude, in the exercise of their business judgment, that providing this waiver to the DIP Lenders is appropriate in exchange for the multitude of benefits provided by the DIP Facility. Therefore, the limitation on marshaling in these Cases is appropriate and the Committee Objection should be overruled.

(iv) The Secured Creditor Fees and Expenses are Reasonable

50. The Committee alleges, without evidentiary support, that the fees and expenses provided to the Prepetition Secured Creditors in the proposed DIP Order are excessive. Specifically, the Committee objects to the provisions that authorize the Debtors to pay the Prepetition Secured Creditors' professionals from the Debtors' estates and further objects to the lack of a review process and lack of a disgorgement provision relating to the Prepetition Secured Creditors fees and expenses. But the terms of the proposed Final Order reflect the most favorable terms on which the Prepetition Secured Creditors would consent to the use of their cash collateral. The fact that the Committee does not like these terms does not mandate their rejection.

(v) Asset Sales Process Milestones and Events of Default

51. The Committee also alleges that the DIP Credit Agreement "improperly dictates the parameters of the Debtors' asset sale process." Committee Objection at ¶36. The Committee contends, again without evidentiary support, that there is no need for the Court's rush to approve

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these critical sales [in the timeline required by the DIP Credit Agreement]. On this point, the Committee is flat out wrong.

52. The Debtors have been experiencing a significant cash burn over this past year, with the burn at certain Hospitals being far more significant than others. The Debtors and the DIP Lenders heavily negotiated and carefully constructed the DIP milestones and events of default and DIP Budget to take this burn into account. The DIP Lenders do not want to and in fact will not indefinitely finance the Debtors' losses. The DIP Credit Agreement, which has a twelve month maturity date, articulates reasonably tailored and achievable benchmarks necessary to maximize value of the Debtors' estates and avoid any erosion in value. As such, the milestones articulated in the DIP Credit Agreement are necessary and reasonable in light of the facts and circumstances of this Case.

53. Lastly, the Committee's objection here ignores the fact that the Debtors and their professionals have been aggressively marketing these assets and hope to have several buyers engaged as stalking horses for specific facilities, and look for various other expressions of interest. Indeed, the Debtors expect to file a motion for approval of bid procedures for O'Connor Hospital and Saint Louise Regional Hospital on the same calendar day as this Omnibus Supplemental Reply. So again, the timeline contemplated by the milestones articulated in the DIP Credit Agreement are consistent with what the Debtors believe they can achieve in good faith in order to maximize the value of their assets.

(vi) Committee Fees and Expenses

54. The Committee contends the current budgeted amount of $100,000 per month for Milbank and $50,000 per month for FTI is insufficient. While such number can and will likely be adjusted in the next update of the 13 week Budget due under the DIP Credit Agreement, the Committee's real challenge is that Committee professional fees are in any way constrained. The

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Committee questions the need for any budget as to the their fees and suggests that such costs will be dictated by the events of the Cases. While the responsibilities of Committee counsel are not the subject to the Budget, whether such fees are paid on an interim basis or as part of a plan of reorganization is very much a concern of the DIP Lender and, by extension, the Debtors and the Prepetition Secured Creditors. The DIP Debtors will make changes to the Budget to account for professional fees, but they will inevitably affect variances.

(vi) Investigation Period and Budget Are Sufficient and Should Be Approved

55. The Committee has indicated that it will accept a 90 day investigation Period if the Debtors agree that such period can be extended by stipulation among the Debtors, the Committee and the Prepetition Secured Creditors. The attached proposed Final Order reflects such a change.

56. The Initial Agreed Budget originally provided an Investigation Budget of $50,000. As a result of earlier conversations between the Committee, the Debtors and the DIP Lenders, the Debtors agreed to increase the Investigation Budget to $100,000. The Committee, nonetheless requests that the Investigation Budget be increased to $250,000. This principally is a concern of the Prepetition Secured Creditors, but there is little justification to raise this amount as there is little factual dispute relating to the facts and circumstances regarding the grand and perfection of the Prepetition Secured Creditors' claims and liens. If the Committee decides to incur investigation fees in excess of the $100,000 allocated by the Carve-Out, such fees will be administrative claims, which, to the extent allowed, would be paid as an administrative expense as a condition to the confirmation of any plan. *See* 11 U.S.C. § 1129(a); *In re General Maritime Corp.*, 2001 WL 6841191 (Bankr. S.D.N.Y. 2001) (authorizing an investigation budget for the committee up to $125,000); *In re Limited Stores Co.*, LLC, Case No. 17-10124 (KJC) (Bankr. D. Del. Feb. 16 2017) [Docket No. 233 § 2.3(d)] ($75,000 carveout).

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(vii) The Carve Out is Sufficient and Should be Approved

57. The Committee requests that the Carve-Out only apply to fees and expenses accrued and to be paid after the Carve-Out Trigger Date. The Committee wants accrued fees and costs not paid before the Carve-Out Trigger Date to be paid in addition to the Carve-Out.

58. The Debtors believe that the $150,000 allocated to the Committee under the Carve-Out is sufficient. The Debtors further believe that the terms outlined in the DIP Credit Agreement and proposed DIP Order are the best that could be negotiated under the circumstances, and are reasonable. All offers accompanying the rollover of accrued but unpaid fees in the carve out were accompanied by less favorable economic terms.

59. Lastly, the Debtors note that any increase in the Carve-Out reduces the Debtors' Borrowing Base availability on a dollar for dollar. This concept is defined and referred to in the DIP Credit Agreement as the "Carve Out Reserve". The Debtors do not want their Borrowing Base availability diminished in such a way that may ultimately cause an event of default under the DIP Credit Agreement.

(viii) Exercise of Remedies

60. The Committee contends that the DIP Lenders right to relief from the automatic stay immediately upon entry of a default under the DIP Credit Agreement is unfair and inconsistent with the rights of this nature generally granted in the DIP order context. The Committee requests that the proposed DIP Order be revised to allow for a five business day notice period and opportunity for a party in interest to be heard before the DIP Lender may exercise of any remedy authorized by the DIP Credit Agreement. The DIP Lender has not agreed to this request.

(ix) Reports and Budget

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61. The Committee wants the same reports and updated budgets at the same time they are provided to the DIP Lender and Prepetition Secured Creditors. They also want consultation rights on the budget. The revised proposed Final Order now provides the Committee with the same information that will be provided to the DIP Lenders and the Prepetition Secured Creditors concerning (i) the Debtors' efforts to obtain debtor in possession financing proposals, including any proposals the Debtors received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted and copies of any proposals or expressions of interest. *See* revised proposed Final Order at ¶ 7. This paragraph 7 also affords the Committee access to all reports and other information as required in the DIP Credit Agreement, including the DIP Budget.

(x) Credit Bidding

62. The Committee wants all credit bidding undertaken by either by the DIP Lender or the Prepetition Secured Creditors to fully comply with all of the requirements of §363(k). There is ample time for the Committee to raise this issue in connection with any objection it may raise to the bid procedures motion.

(xi) Asset Sale Proceeds

63. The Committee insists that the Final Order require that a "further order of this Court" be required to permit the application of Sale Proceeds to satisfy (in full or in part) the DIP Facility. This is simply inconsistent with the DIP Credit Agreement terms.

III. CONCLUSION

64. The DIP Facility represents the best financing package available to the Debtors, and entry into the DIP Facility easily passes muster as an appropriate exercise of the Debtors' business judgment. As the DIP Motion, the Omnibus Reply, this Omnibus Supplemental Reply and all declarations and documents submitted in support thereof make clear, the Debtors continue

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to support the DIP Facility because of the significant financial benefits it provides to both the estates and their creditors.

WHEREFORE, for the reasons set forth in the DIP Motion, the Omnibus Reply and above, the Debtors respectfully request entry of an order (i) granting the relief requested herein and (ii) granting the Debtors such other and further relief as the Court deems just and proper.

Dated: October 1, 2018

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By */s/ Samuel R. Maizel*
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EXHIBIT 1

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Ernest M. Robles
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**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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Upon the emergency motion (the "***DIP Motion***")[1], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") following conclusion of the interim hearing (the "Interim Hearing") authorizing the Debtors, on an interim basis, and following the conclusion of a final hearing (the "Final Hearing") on the DIP Motion, for entry of a final order (the "Final Order") authorizing the Debtors, on a final basis authorizing the Debtors to, among other things: *inter alia*:

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

(ii) Enter into a Debtor-in-Possession Credit Agreement (the "***DIP Credit Agreement***"), substantially in the form attached as Exhibit 2 to the Supplemental Chou Declaration ("**Supp. Chou Decl.**")[Docket --], and other related financing documents (together with the DIP Credit Agreement and DIP Security Agreement, the "***DIP Financing Agreements***"),

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

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

(iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements, postpetition financing of up to $30,000,000 on a revolving basis (the "***Interim DIP Loan***") and seek other financial accommodations from the DIP Agent and DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, ~~and this Final~~the Interim Order;

(iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition financing of up to an additional $155,000,000, for a total of up to $185,000,000, on a revolving basis, which includes the Interim DIP Loan (the "***Final DIP Loan***," and together with the Interim DIP Loan, the "***DIP Loan***") and seek other financial accommodations from the DIP Agent and DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and ~~the~~this Final Order ~~(as defined below)~~;

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

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

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

(viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in accordance with the ~~proposed initial agreed budget covering the initial 13 week period (the "***Initial Agreed Budget***") a copy of which is attached to the Chou Decl. [Docket No. 32] as~~

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~~Exhibit 2,~~ 13 week budget , as updated from time to time attached as Exhibit 1, Supp. Chou Decl. (the "***DIP Budget***") and as otherwise provided in the DIP Financing Agreements, the Interim Order and this Final Order;

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

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

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

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

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

The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief Financial Officer filed in support of the DIP Motion and Rich Adcock, ~~CEO~~Chief Executive Office filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Motion, the ~~proposed DIP Credit Agreement, and any~~DIP Financing Documents, and the Supplemental Declaration of Anita Chou in Support of Debtors' Reply in Support of the DIP Motion, and the exhibits attached thereto, and

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the evidence submitted or adduced and the arguments of counsel made at the ~~hearing on the Interim Order (the "~~Interim Hearing~~") and on the request for entry of the Final Order (the "~~ and the *Final Hearing*~~")~~; and due and proper notice of the DIP Motion, ~~an~~the Interim Hearing, entry of the Interim Order, and Final Hearing having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under the circumstances; and the Interim Hearing and Final Hearing having been held and concluded; and it appearing that approval of the and final relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors and is otherwise fair and reasonable and in the best interests of the Debtors, their estates and their creditors, and is essential for the preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this Final Order having been withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

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

B. **Jurisdiction and Venue**. This Court has jurisdiction over the Cases, the DIP Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334(b), and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2). Venue for these Chapter 11 Cases and

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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proceedings on the DIP Motion is proper before this district pursuant to 28 U.S.C. §§ 1408 and 1409.

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

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

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

F. **Intercreditor Agreement**. Pursuant to section 510(a) of the Bankruptcy Code, the Second Amended and Restated Intercreditor Agreement dated December 1, 2017 (the

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"***Intercreditor Agreement***") and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect, with respect to prepetition and post-petition assets of the Debtors as provided thereunder, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors (including the relative priorities, rights and remedies of such parties with respect to the Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable, by the Debtors under the Interim Order, this Final Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of this Final Order or the DIP Financing Agreements, unless expressly set forth herein.

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

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

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under each of the note indentures relating to the 2015 Working Capital Notes and the 2017 Working Capital Notes, respectively. The MTI Obligations are secured by, inter alia, security interests granted to the Master Trustee in the prepetition accounts of, and mortgages on the principal real estate assets of, the members of the Obligated Group.

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

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

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

H. **Prepetition Secured Trade Vendor Arrangement**. Prior to the Petition Date, ~~VMF~~Debtor Verity Medical Foundation ("VMF") entered into agreements for the sole source purchasing of certain critical chemotherapy and other pharmaceutical products and

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medical-surgical products with McKesson Corporation and certain affiliates ("***McKesson***"), and on or about March 27, 2018 granted to McKesson a prepetition perfected security interest ("***VMF Liens***") in VMF tangible and intangible personal property, including accounts (the "***VMF Collateral***"), but such perfected security interest excluded VMF cash (to the extent such cash does not represent proceeds of the VMF Collateral), personal property requiring possession for perfection and real property interests. As of the Petition Date, McKesson was owed approximately $3,055,000.00 (the "***McKesson Prepetition Debt***"). Postpetition, and subject to McKesson's internal credit review and approval process, McKesson has agreed to resume providing certain secured trade credit to VMF and the physician practices ordering through VMF for the purchase of pharmaceutical and medical-surgical products on 30 days from invoice payment terms (the "***McKesson Post-Petition Trade Credit***"). The McKesson Post-Petition Trade Credit will ~~continued~~continue to be secured by the VMF Liens.

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

J. **Prepetition Agreements to Pay Special Assessments.** Seton Medical Center, a Debtor, ("***SMC***") and California Statewide Communities Development Authority ("***CSCDA***") entered into an (i) Agreement to Pay Assessment and Finance Improvements dated May 11, 2017 under the CSCDA CaliforniaFirst Program ("***Clean Fund Agreement to Pay Assessment***"), and (ii) Agreement to Pay Assessment and Finance Improvements dated May 18, 2017 under the CSCDA CaliforniaFirst Program ("***Petros Agreement to Pay Assessment***", collectively, with Clean Fund Agreement to Pay Assessment, the "***Assessment Agreements*** "), each for the limited purpose of providing financing for certain renewable energy, energy efficiency, water efficiency

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

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

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

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defined herein) of each of their respective interests in the Prepetition Collateral (including Cash Collateral) or VMF Collateral.

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

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

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

M. **Application of Sale Proceeds of DIP Collateral.** ~~The Debtors have agree with the DIP Lender that, subject to the terms of~~As Provided by the Interim Order, this Final Order and the DIP Credit Agreement, the DIP Liens shall attach as first priority liens and security interests,

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pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property, including, without limitation, the Healthcare Facilities (as defined in the DIP Credit Agreement) and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The Sale Proceeds ~~for each Debtor~~ shall be held in escrow in one or more deposit accounts subject to a deposit account control agreement in favor of the DIP ~~Lender~~Agent (the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled with any other funds of the selling Debtor, the Sale Proceeds of any other Debtor or otherwise. The DIP ~~Lender~~Agent is granted a first priority lien on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors subject to any Prepetition Liens, VMF Liens, Prepetition Replacement Liens and VMF Replacement Liens; provided, however, that upon any Debtor's request and with the consent of the DIP Agent and DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors or McKesson on terms and conditions that are acceptable to the DIP Agent and DIP Lender in its sole discretion and upon further order of this Court.

N. **Adequate Protection for Prepetition Secured Creditors and McKesson.** The priming of the Prepetition Secured Creditors' Prepetition Liens and the VMF Liens to the extent set forth ~~below~~in the Interim Order and This Final Order, pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens and the VMF Liens set forth below, the Prepetition Secured Creditors and McKesson shall be entitled to receive adequate protection, as set forth in this Final Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of

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

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O. **Extension of Financing**. The DIP Agent and DIP Lender ~~has~~have indicated a willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement. ~~The DIP Lender is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit Agreement and the other DIP Financing Agreements. The DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to this Final Order and the DIP Financing Agreements will not be affected by any subsequent reversal or modification of this Final Order or the Final Order, as provided in section 364(e) of the Bankruptcy Code.~~

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

(i) ~~The DIP Lender has indicated a willingness to provide DIP Financing to the Debtors in accordance with the DIP Financing Agreements~~. The terms and conditions of the DIP Facility and the DIP Financing Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

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

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

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

Q. **Relief Essential; Best Interest; Good Cause**. The relief requested in the DIP Motion (and as provided in this Final Order) is necessary, essential, and appropriate for the

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preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors' estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement. Good cause has been shown for the relief requested in the DIP Motion (and as provided in this Final Order) ~~solely on an interim basis~~.

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

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

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

2. **DIP Financing Agreements.**

(a) **Approval of Entry ~~Into~~into DIP Financing Agreements**. The Debtors are authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Final Order and the DIP Financing Agreements, and to execute and deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Financing Agreements and the creation and perfection of the DIP Liens described in and provided for by this Final Order and the DIP Financing Agreements. The Debtors are hereby authorized and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and other amounts described in the DIP ~~Credit Agreement~~Financing Agreements as

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such amounts become due and payable without need to obtain further Court approval, including closing fees, unused line fees, administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, and whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in this Final Order or the DIP Financing Agreements. All collections and proceeds, whether from ordinary course collections, asset sales, debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Final Order and the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, including, without limitation, commitment fees and reasonable attorneys' fees and disbursements as provided for in the DIP Credit Agreement, which amounts shall not otherwise be subject to approval of this Court, ~~*provided however, that notwithstanding section 2.9(a) of the DIP Credit Agreement, following entry of this Final Order, the Debtors shall pay only $1,600,000 on account of the commitment fee*~~. The Debtors shall pay the deferred balance of the commitment fee required by section 2.9(a) of the DIP Credit Agreement ~~only~~ upon entry ~~of a~~this Final Order ~~approving the DIP Credit Agreement~~.

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

(c) **Conditions Precedent.** ~~The~~Neither the DIP Agent nor the DIP Lender ~~shall~~ have ~~no~~any obligation to make the DIP Loan or any loan or advance under the DIP Credit Agreement unless the conditions precedent to making such loan under the DIP Credit Agreement have been satisfied in full or waived by the DIP Agent and DIP Lender in ~~its~~their sole discretion.

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

(e) **DIP Lien Priority**. Subject only to the Carve Out (as defined below) and the prepetition tax lien arising in connection with the CSCDA Special Assessments, the DIP Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing, enforceable, non-avoidable first priority senior priming liens and security interests on the DIP Collateral, and shall prime all other liens and security interests on the DIP Collateral, including any liens and security interests in existence on the Petition Date against the Prepetition Collateral and VMF Collateral, and any other current or future liens granted on the DIP Collateral, including any adequate protection or replacement liens granted on the DIP Collateral (collectively, the "***Primed Liens***") (other than the Debtors' claims and causes of action under sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar actions under the Bankruptcy Code or similar state law (the "***Avoidance Actions***"), whether received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens

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shall not be made subject to, subordinate to, or *pari passu* with any lien or security interest by any court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid and enforceable against any trustee appointed in the Chapter 11 Cases, upon the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (any "***Successor Cases***"), and/or upon the dismissal of any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

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

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

(h) **Additional Protections of DIP Lender: Superpriority Administrative Claim Status**. Subject to the Carve Out (as defined below), all DIP Obligations shall constitute an allowed superpriority administrative expense claim (the "***DIP Superpriority Claim***" and, together with the DIP Liens, the "***DIP Protections***") with priority in all of the Chapter 11 Cases and Successor Cases over all other administrative expense claims under sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any other provision of the Bankruptcy Code except as otherwise set forth herein, whether or not such expenses or claims may become secured

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by a judgment lien or other non-consensual lien, levy or attachment. The DIP Superpriority Claim shall be payable from and have recourse to all prepetition and post-petition property of the Debtors and all proceeds thereof. Without limiting the foregoing, the Superpriority Claim shall not be made subject to, subordinate to, or *pari passu* with any other administrative claim in the Chapter 11 Cases or Successor Cases, except for the Carve Out (as defined below). Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Final Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Final Order and terminating upon ~~the occurrence of an Event of Default (as defined below) and~~ the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

4. **Application of Sale Proceeds of DIP and Prepetition Secured Creditor Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code, the Interim Order, this Final Order and the DIP Financing Agreements, to the Sale Proceeds. The Sale Proceeds shall be allocated by ~~Debtor~~Debtors and held in escrow in the Escrow Deposit Accounts. Funds held in any Escrow Deposit Account shall not be commingled with any other funds of the applicable Debtor or any of the other Debtors and, without limitation of the rights of the DIP ~~Lender upon~~Agent and DIP Lender under the DIP Financing Agreements and this Final Order with respect to the Sale Proceeds and Escrow Deposit Account, including, without limitation, following the occurrence of an Event of Default ~~under the DIP Financing Documents or pursuant to this Final Order~~or the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the Debtors shall not be permitted to use Cash Collateral of any of the Prepetition Secured Creditors held in any Escrow Deposit Account for any purpose without first obtaining the consent of the applicable Prepetition Secured Creditor or

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obtaining an order of the Court pursuant to Section 363 of the Bankruptcy Code after notice and a hearing. The DIP ~~Lender~~Agent is granted a first priority lien on the Escrow Deposit Accounts and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP ~~Lender~~Agent may apply amounts held in Escrow Deposit Accounts to the outstanding ~~obligations~~DIP Obligations due under the DIP ~~Loan~~ Credit Agreement. Without limiting the foregoing, and subject and subordinate in all respects to the ~~DIP Lender's~~ first priority priming ~~lien~~DIP Lien and Prepetition Replacement Liens to the extent set forth in this Final Order, the Prepetition Secured Creditors' Prepetition Liens shall be deemed to attach to the Escrow Deposit Accounts and the Sale Proceeds with the same relative priority, validity, force, extent and effect as the Prepetition Liens attached to the Prepetition Collateral giving rise to such Sale Proceeds. Each of the Prepetition Secured Creditors shall have the right to seek a declaration of their respective rights in and to any of the Sale Proceeds and funds held in a Deposit Escrow Account, consistent with and subject to the terms and conditions of this Final Order and the DIP Financing Agreements, and the Court shall determine all such disputes in accordance with this Final Order, the DIP Financing Agreements, the Prepetition Secured Documents, and applicable law.

5. **Adequate Protection for Prepetition Secured Creditors**. As adequate protection for the interests of the Prepetition Secured Creditors in the Prepetition Collateral and McKesson in the VMF Collateral, ~~but subject to the rights of the Prepetition Secured Creditors in the Sale Proceeds and Deposit Escrow Accounts set forth above,~~ on account of the granting of the DIP Liens, subordination to the Carve Out (as defined below), any Diminution in Value arising out of the Debtors' use, sale, or disposition or other depreciation of the Prepetition Collateral, including Cash Collateral or the VMF Collateral, resulting from the automatic stay, the Prepetition Secured Creditors and McKesson shall receive adequate protection as follows:

(a) **Adequate Protection Replacement Liens**. To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition

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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 securing the DIP Obligations, (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 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. 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. With respect to the VMF Collateral, McKesson shall be

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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.

(b) **Adequate Protection Payments and Protections**. So long as there is no Default or Event of Default under the Interim Order, this Final Order, or the DIP Financing Agreements, the Debtors are also authorized and directed to provide (I) to the Prepetition Secured Creditors monthly adequate protection payments equal to (A) the amount of postpetition, non-default contractual interest on the outstanding balances of the Prepetition Secured Obligations, provided that reference to the non-default contractual rate of interest shall not include any Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents, plus (B) monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee, respectively, and (C) reimbursement of reasonable attorney's fees for one set of attorneys for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB Financing; and (II) payments by the Debtors to McKesson consistent with certain terms of the interim and final orders authorizing the Critical Vendor Program (as defined in the Debtors First Day Motions) in an amount of $3,055,000.00 (collectively I and II are the "***Prepetition Adequate Protection Payments***"). Notwithstanding the foregoing, to the extent the Court enters a final and non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code, that the Prepetition Adequate Protection Payments under (I) and (II) above are not properly ~~allocable~~entitled to payment of interest and fees on one or more of the respective Prepetition Secured Obligations to which they were made, the Prepetition Adequate Protection Payments may

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be re-characterized as payment(s) applied to the principal amount of the respective Prepetition Secured Obligations.

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

(d) **Prepetition Superpriority Claim**. To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below, an allowed superpriority administrative expense claim (the "***Prepetition Superpriority Claims***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising of any kind or nature whatsoever including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552, 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of ~~the~~this Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition Superpriority Claim 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 have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the

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holders of those certain 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 Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

(e) **Validity, Perfection and Amount of Prepetition Liens**. The Debtors further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the Prepetition Secured Obligations on the Prepetition Collateral and the VMF Liens on the VMF Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition Secured Creditors and McKesson, (b) the Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral except the prepetition tax lien arising in connection with the CSCDA Special Assessments, and (c) the VMF Liens were senior in priority over any and all other Liens on VMF Collateral. The findings and stipulations set forth in this Final Order with respect to the validity, enforceability and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and all of their successors in interest and assigns, including the Committee, unless, and solely to the extent that, a party in interest with requisite standing and authority (other than the Debtors, as to which any Challenge (as defined below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens

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(each such proceeding or appropriate pleading commencing a proceeding or other contested matter, a "***Challenge***") within ninety (90) days from the formation of the Committee (the "***Challenge Deadline***"); *provided ~~however~~* that ~~the~~for purposes of filing ~~by the Committee of a motion for standing to prosecute a Challenge shall automatically toll the Challenge Deadline~~a Challenge, the Committee shall be deemed to have standing to file the requisite pleading without further a order of the Court; and *provided further*, that the "Challenge Deadline" for matters solely relating to the value of the Prepetition Collateral may be further extended to such time as may be agreed by ~~the parties or~~stipulation among the Debtors, the Committee and the Prepetition Secured Creditors or as further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be amended upon further order of this Court and the consent of both the Prepetition Secured Creditors, the DIP Agent and the DIP Lender. The Debtors shall not use the Prepetition Collateral, VMF Collateral or their proceeds to investigate or prosecute claims against the Prepetition Secured Creditors or McKesson, including Avoidance Actions, *provided however* that the Committee may investigate the existence of such claims and have allowed fees paid from the Prepetition Collateral or VMF Collateral and the proceeds of the DIP Facility up to the amount of $100,000, *provided further however* that no Prepetition Collateral or VMF Collateral, the proceeds thereof or the proceeds of the DIP Facility may be used to prosecute claims against Prepetition Secured Creditors or McKesson. For the avoidance of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition Secured Creditors or McKesson from any Challenge raised by third parties, including the Committee, to the validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition Liens or the VMF Liens.

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

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

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

7. **Budget Compliance and Reporting**. The proceeds of the DIP Facility and the use of Cash Collateral shall be subject to, and used in accordance with, the terms and conditions of the DIP Financing Agreement and the DIP Budget (subject to the variances set forth therein). Debtors acknowledge and confirm that the DIP Budget includes the payment of CSCDA Special Assessments. The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the Committee, such information to include reasonably complete details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock Declaration, and such information to be timely provided, sufficient for the Prepetition Secured Creditors to file an objection with this Court on two business days' notice. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or

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to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and binding confidentiality agreements, ~~prior to any hearing to consider entry of a Final Order related to this DIP Motion,~~ the Debtors shall provide to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors and the Committee information concerning (i) the Debtors' efforts to obtain debtor in possession financing proposals, including any proposals the Debtors received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted, copies of any proposals or expressions of interest, and other information concerning these matters the Prepetition Secured Creditors may reasonably request.

8. **Postpetition Lien Perfection.** This Final Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens, the Prepetition Replacement Liens and the VMF Replacement Lien, and all rights granted in and to the Escrow Deposit Accounts and the Sale Proceeds, without the necessity of filing or recording any financing statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be required under the law of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement or obtaining possession of any possessory collateral) to validate or perfect the DIP Liens, Prepetition Replacement Liens or VMF Replacement Lien, or to entitle the DIP Liens, Prepetition Replacement Liens and VMF Replacement Lien the respective priorities granted herein. Notwithstanding and without limiting the foregoing, the DIP ~~Lender~~Agent may file such financing statements, mortgages, deeds of trust, notices of liens and other similar documents as it deems appropriate, and it is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, deeds of trust, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of the Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the DIP

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Agent and DIP Lender all such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents as the DIP Agent and DIP Lender may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents shall be considered DIP Financing Agreements for all intents and purposes. The DIP ~~Lender~~Agent, in its discretion, may file a certified copy of this Final Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the recording officer shall be authorized to file or record such copy of this Final Order. To the extent that any Prepetition Secured Creditor is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements, bailee letters, custom broker agreements, financing statement, account control agreements, or any other Prepetition Secured Documents or is listed as loss payee or additional insured under any of the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under such documents or to be the loss payee or additional insured, as applicable.

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

10. **Proceeds of Subsequent Financing**. If the Debtors, any trustee, any examiner with expanded powers, or any responsible officer subsequently appointed in these Chapter 11 Cases or any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections 364(b), 364(c), or 364(d) or in violation of the DIP Financing Agreements at any time prior to the

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indefeasible repayment in full of all DIP Obligations and Prepetition Secured Obligations (to the extent such remain outstanding), and the termination of the DIP Agent's and the DIP Lenders' obligation to extend credit under the DIP Facility, including subsequent to the confirmation of any chapter 11 plan of reorganization with respect to any or all of the Debtors and the Debtors' estates, and such facility is secured by any DIP Collateral, then all the cash proceeds derived from such credit or debit shall immediately be turned over to the DIP Agent to be applied in accordance with this Final Order and the DIP Financing Agreements.

11. **Cash Collection**.

(a) From and after the date of the entry of this Final Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in accounts as specified in the DIP Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to time) (collectively, the "***Cash Collection Accounts***"), which accounts shall be subject to the sole dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP Agent that, unless a "Default" or an "Event of Default" under the DIP Credit Agreement has occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall be authorized to use such Cash Collateral in accordance with this Final Order. All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the DIP Agent and the Prepetition Secured Creditors or as set forth in this Final Order, the Debtors shall maintain no accounts except those identified in the interim cash management order entered by the Court with respect thereto (the "***Cash Management Order***"), whether now existing or hereafter established. The Debtors and the financial institutions where the Debtors' Cash Collection Accounts are maintained (including those accounts identified in the Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent.

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To the extent that a Prepetition Secured Creditor's perfection in or control over bank accounts or investment accounts, including any funds or investments therein, may be affected by reason of the transfer of control to the DIP Agent or any agent of the DIP ~~Agent~~Lenders in accordance with this Final Order, the perfection and control rights of such Prepetition Secured Creditor therein shall be deemed to continue, subject to the senior, priming rights of the DIP Lender and the DIP Lien in such bank accounts or investment accounts, for so long as the DIP Obligations remain outstanding, and thereafter shall revert back to such Prepetition Secured Creditor.

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

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

13. **DIP and Other Expenses**. The Debtors are authorized and directed to pay all reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent,

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(including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as counsel to the DIP Agent), (2) the DIP Lenders in connection with the DIP Facility, as provided herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a proposed conversion of the DIP Facility into exit financing (including the preparation and negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured Creditors and McKesson, whether or not the transactions contemplated hereby are consummated, including attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, and indemnification and reimbursement of fees and expenses. Payment of all such fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors and McKesson shall not be required to comply with the U.S. Trustee fee guidelines; however, any time that such professionals seek payment of fees and expenses from the Debtors, each professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S. Trustee or the Committee, with respect to such invoices must be in writing and state with particularity the grounds therefor and must be submitted to the applicable professional within ten (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved, it will be subject to resolution by the Court. Pending such resolution, the undisputed portion of any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the Debtors are authorized and directed to pay on the Closing Date all reasonable and documented fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors incurred on or prior to such date without the need for any professional engaged by such parties to first deliver a copy of its invoice or other supporting documentation. No attorney or advisor to the DIP Agent, the DIP Lenders any Prepetition Secured Creditor or McKesson shall be required to file an application seeking compensation for services or reimbursement of expenses with the Court. Upon entry of this Final Order, any and all fees, costs, and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured

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Creditors and McKesson in connection with or with respect to these matters, were approved in full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the Debtors or any other person.

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

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

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

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17. **Limitation of Use of Proceeds**. Notwithstanding anything set forth herein and except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses incurred in connection with initiating or prosecuting any claims, causes of action, adversary proceedings, or other litigation against the DIP Agent, the DIP Lender or any of the Prepetition Secured Creditors, including, without limitation, the assertion or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defenses or other contested matter, the purpose of which is to seek any order, judgment, determination or similar relief (i) invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in part, (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, (d) the VMF Liens or (e) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly or indirectly, the DIP Agent's the DIP Lender's or Prepetition Secured Creditors' or McKesson's assertion or enforcement of their liens or security interests or realization upon any DIP Collateral ~~or~~, Prepetition Collateral, or ~~the~~ VMF Collateral, or (iii) prosecuting any Avoidance Actions against the DIP Agent, the DIP Lender ~~or~~, any Prepetition Secured Creditor or McKesson, or (iv) challenging the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the McKesson Prepetition Debt, or the adequate protection granted herein, *provided however*, that nothing in this Final Order shall limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors or McKesson as adequate protection payments.

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

19. **Section 506(c) Claims; Equities of the Case**. Nothing contained in this Final Order shall be deemed a consent by the DIP Agent, the DIP Lender or any Prepetition Secured Creditor to any charge, lien, assessment or claim against the DIP Collateral under Section 506(c) of the

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Bankruptcy Code or otherwise. The "equities of the case" exception under Section 552(b) of the Bankruptcy Code and surcharge powers under section 506(c) of the Bankruptcy Code are waived as to the Prepetition Creditors and all pre and postpetition collateral securing their claims.

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

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

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

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

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

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other prepetition debt a Debtor may owe to the United States from the Postpetition Medicare Payments due such Debtor in accordance with applicable law.

21. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 5, 2019 (the "***Scheduled Termination Date***"); (ii~~) the earlier of: (a) the date that is thirty (30) days from entry of this Final Order unless a final, non-appealable order of the Court authorizing the DIP Facility in form and substance satisfactory to the DIP Lender in its sole and absolute discretion has been entered and has become effective prior to the expiration of such period (or such later date as the DIP Lender may approve in writing in its sole and absolute discretion), (b) the date the Court denies entry of the Final Order, or (c~~) the date of revocation of this Final Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***"). The occurrence of the Commitment Termination Date, shall also constitute, subject to further Court order, termination of the Prepetition Secured Creditors' and McKesson consent to the Debtors' use of their prepetition ~~cash collateral~~Cash Collateral (the "**Carve Out Trigger Date**").

22. **Disposition of Collateral**. The Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the DIP Collateral, without the prior written consent of the DIP Agent and the DIP Lender (and no such consent shall be implied, from any other action, inaction or acquiescence by the DIP Agent or the DIP Lender or an order of this Court), except as provided in the DIP Financing Agreements and this Final Order and approved by the Court to the

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extent required under applicable bankruptcy law. Nothing herein shall prevent the Debtors from making sales in the ordinary course of business to the extent consistent with the DIP Budget and as permitted in the DIP Financing Agreements.

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

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

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

(b) Notwithstanding the preceding paragraph, immediately following the giving of notice by the DIP ~~Lender~~Agent of the occurrence and continuance of an Event of Default, the DIP ~~Lender~~Agent shall have the right in its sole discretion to take any or all of the following actions: (i) declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare the unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other DIP Financing ~~Document~~Agreements to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by any Debtor; (iii) reduce the advance rates in respect of Eligible Accounts (as defined in the DIP Credit Agreement) or take additional reserves against or otherwise modify the Borrowing Base; and (iv) exercise all rights and remedies available to the DIP Agent and the DIP Lenders under the DIP Financing ~~Documents~~Agreements, including any right of set-off under Section 11.21 of the DIP Credit Agreement, or under the UCC or any other applicable law; *provided, however*, that upon

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the occurrence of an Event of Default under the DIP Credit Agreement, the obligation of the DIP Lenders to make the DIP Loan shall automatically terminate, the unpaid principal amount of all outstanding DIP Loans and other DIP Obligations and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the DIP Agent or any DIP Lender.

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

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

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

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

28. **Other Rights and Obligations**.

(a) **Good Faith Under Section 364(e) of the Bankruptcy Code**. **No Modification or Stay of this Final Order.** The ~~Debtor~~Debtors, the DIP Agent, the DIP Lender, the Prepetition Secured Creditors and McKesson have acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and authorizing use of Cash Collateral and rely on this Final Order in good faith. Based on the findings set forth in this Final Order and the record made during the Interim Hearing and the Final Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Final Order are hereafter reversed, modified amended or vacated by a subsequent order of this or any other Court, the DIP Agent, DIP Lender, Prepetition Secured Creditors and McKesson are entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or *vacatur* shall not affect the validity and enforceability of any advances made pursuant to ~~,~~this Final Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens, the Prepetition Replacement Liens or the VMF Replacement Lien. Any claims or DIP Protections granted to the DIP Agent and the DIP Lender hereunder, or adequate protection granted to the Prepetition Secured Creditors and McKesson hereunder, arising prior to the effective date of such reversal, modification, amendment or *vacatur*, shall be governed in all respects by the original provisions of this Final Order, and the DIP Agent, the DIP Lender, Prepetition Secured Creditors ~~or~~and McKesson shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections and adequate protection granted herein, with respect to any such claims. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Final Order, the obligations owed to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson prior to the effective date of any reversal or

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modification of this Final Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson under this Final Order and/or the DIP Financing Agreements.

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

(c) **No Waiver**. The failure of the DIP Agent or the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this Final Order or otherwise, as applicable, shall not constitute a waiver of the DIP Agent's or the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Agent or the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Agent and DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Agent or DIP Lender may have pursuant to this Final Order, the DIP Financing Agreements, or applicable law. Nothing in this Final Order shall interfere with the rights of any party with respect to any non-Debtors.

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

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

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

(g) **Estate Subrogation**. Debtor Verity Holdings shall have an allowed unsecured superpriority administrative expense claim granted to it pursuant to section 364(c)(1), against each of the other Debtors that is a "Net Borrower" (as defined below) based on the consolidated cash management process and DIP Loan, which claim shall be subordinate to the DIP Obligations, including the DIP Superpriority Claim, and to the Adequate Protection Claims of the Prepetition Secured Creditors and McKesson, but shall have priority over all other administrative claims, in an amount equal to the sum of (a) the amount, if any, by which Debtor

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Verity Holdings' assets that are used to satisfy the DIP Loan, the Prepetition Replacement Liens or VMF Liens, exceeds the amount, if any, of any draws on the DIP Loan used by Verity Holdings plus interest, and (b) any postpetition net intercompany advances by Verity Holdings to any other Debtor. "Net Borrower" shall mean any Debtor for which the sum of all cash received from the concentration account or draws on the DIP Loan and its allocation of interest paid or payable under the DIP Loan based on amounts received by it and amounts received by other Debtors, exceeds any cash it has transferred to the concentration account during the Chapter 11 Cases.

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

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shall not be discharged by the entry of an order confirming a plan of reorganization, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

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

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

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled on an interim basis.

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

~~Dated: _____~~
~~Los Angeles, California~~

* * * *

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/s/
HONORABLE JUDGE ROBLES
UNITED STATES BANKRUPTCY JUDGE

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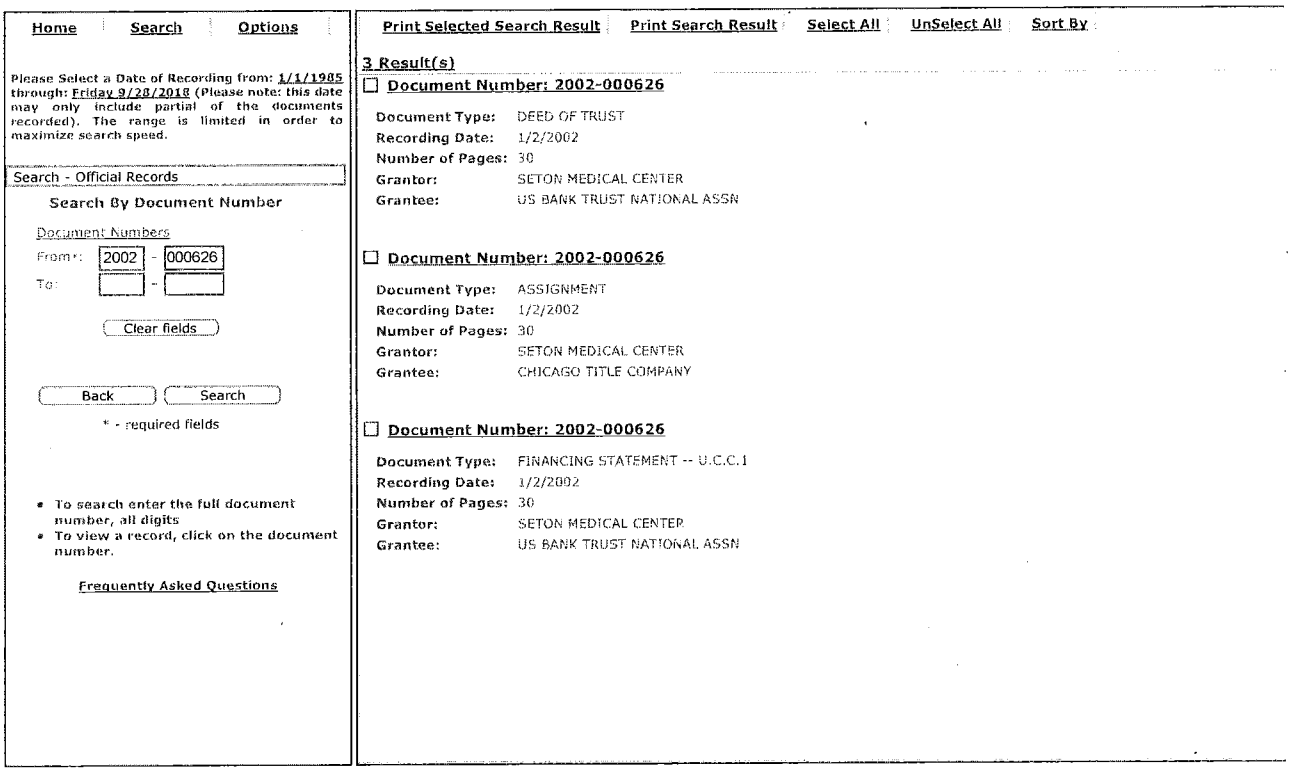
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Description	#109064508v8<US_Active> - Final DIP Financing Order [Debtors' Proposed]
Document 2 ID	interwovenSite://USDMS/US_Active/109064508/12
Description	#109064508v12<US_Active> - Final DIP Financing Order [Debtors' Proposed]
Rendering set	Underline Strikethrough

Legend:	
Insertion	
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Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	164
Deletions	107
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	273

EXHIBIT 2



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☐ Document Number: 2002-000626

Document Type: DEED OF TRUST
Recording Date: 1/2/2002
Number of Pages: 30
Grantor: SETON MEDICAL CENTER
Grantee: US BANK TRUST NATIONAL ASSN

☐ Document Number: 2002-000626

Document Type: ASSIGNMENT
Recording Date: 1/2/2002
Number of Pages: 30
Grantor: SETON MEDICAL CENTER
Grantee: CHICAGO TITLE COMPANY

☐ Document Number: 2002-000626

Document Type: FINANCING STATEMENT -- U.C.C.1
Recording Date: 1/2/2002
Number of Pages: 30
Grantor: SETON MEDICAL CENTER
Grantee: US BANK TRUST NATIONAL ASSN

California Lot Book, Inc.

dba California Title Search Co.

P.O. Box 9004
Rancho Santa Fe, CA 92067
(858) 278-8797 Fax (858) 278-8393
info@lotbook.com
WWW.LOTBOOK.COM

Lot Book Report

CleanFund Commercial PACE Capital, Inc.
2330 Marinship Way, Ste. 100
Sausalito, CA 94965
Attn: Chris McKay

CTS Reference No.: 0317225-1
Update

Title Search Through: April 10, 2017

Property Address: 1900 Sullivan Ave.
Daly City, CA 94015

Assessor's Parcel No.: 008-084-370

Assessed Value: $130,956,264

Exemption: None

Property Characteristics

Use: Hospital

Improvements:

Short Legal Description

PORTION OF LOT 25, AS DESIGNATED ON THE MAP ENTITLED, "MAP OF THE PIERCE, VAN WINKLE & PATTEN TRACTS", WHICH MAP WAS FILED IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SAN MATEO, STATE OF CALIFORNIA, ON DECEMBER 19, 1883, IN BOOK "B" OF MAPS, AT PAGE 3, AND A COPY ENTERED IN BOOK 1 OF MAPS, AT PAGE 20, AS FURTHER DESCRIBED.

Last Title Transfer

Recorded: January 2, 2002
Recorders File No. 02-0627

Transfer Stamps:
Grantor: Catholic Healthcare West-Bay Area
Grantee: Seton Medical Center

California Lot Book, Inc., dba California Title Search Co.
CTS Reference No. 0317225-1
Title Search Through April 10, 2017

The Title To Said Estate Of Interest At The Date Hereof Is Vested In:

Seton Medical Center, a California nonprofit religious corporation

1. Tax Status: Current

The following tax installments are for the current fiscal year only and do not include prior year delinquencies or supplemental assessments. Exact amounts owed should be verified with the County Tax Collector.

For Fiscal Year:	2016-2017	
First Installment:	$72,690.43	Due December 10, 2016 (Paid)
Second Installment:	$72,690.43	Due April 10, 2017 (Paid)

2. A Deed of Trust in the Amount of: (Per Agreement)
Trustor: Seton Medical Center
Trustee: Chicago Title Company
Beneficiary: U.S. Bank Trust National Association
c/o Orrick Herrington & Sutcliffe
400 Capitol Mall, Ste. 300
Sacramento, CA 95814
Recorded: January 2, 2002, Recorders File No. 02-0626

3. A Deed of Trust in the Amount of: (Per Agreement)
Trustor: Seton Medical Center
Trustee: Chicago Title Company
Beneficiary: U.S. Bank Trust National Association
c/o Orrick Herrington & Sutcliffe
400 Capitol Mall, Ste. 300
Sacramento, CA 95814
Recorded: January 2, 2002, Recorders File No. 02-0628

– End of Report –

****

Please be advised that this is not Title Insurance. The information provided herein reflects matters of public record which impart constructive notice in accordance with California Insurance Code 12340.10. Note that we are not a Title Insurance Company, and that no express or implied warranty as to the accuracy or completeness of the information provided herein is granted. Our work has been performed under short time constraints with a quick turn around, and is based in part on the use of databases outside of our control. The recipient hereby acknowledges that California Lot Book, Inc. assumes no liability with respect to any errors or omissions related to the information provided herein. Also note that this search has been performed without the benefit of a Statement of Identification from the property owners, and if a search was performed for liens recorded against owner names, we cannot be sure that the information provided relates to the actual property owners, or is complete with respect to the property owners. In any event, our liability is limited to the amount of fees collected for the information provided herein.

****

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Attorneys for U.S. Bank National Association, not individually but as Series 2015 Note Trustee and Series 2017 Note Trustee, respectively

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re:

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,

Debtors.

Case 2:18-bk-20151-ER
Jointly Administered
Chapter 11 Cases

COMBINED LIMITED RESPONSE OF U.S. BANK NATIONAL ASSOCIATION, AS SERIES 2015 NOTE TRUSTEE AND SERIES 2017 NOTE TRUSTEE, TO MASTER TRUSTEE AND SERIES 2005 TRUSTEE'S OBJECTION TO 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

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U.S. Bank National Association, not individually but in its respective capacities as Series 2015 Note Trustee (the "**2015 Note Trustee**") and as Series 2017 Note Trustee (the "**2017 Note Trustee**" and, together with the 2015 Note Trustee, the "**Notes Trustee**"), hereby submits this limited response to the *Objection to Motion of Debtors for Interim and Final Orders (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* [Docket No. 292] (the "**Objection**") filed by UMB Bank, N.A., as successor master indenture trustee (the "**Master Trustee**"), and Wells Fargo Bank, National Association, as indenture trustee for the Series 2005 Bonds (the "**Series 2005 Trustee**"). This limited response is directed at the portion of the Objection that seeks to limit the adequate protection replacement liens being offered by the Debtors to the Notes Trustee in a manner contrary to a governing intercreditor agreement, as described below. The Notes Trustee reserves its rights but does not in this limited response respond to other positions set forth in the Objection.

The Notes Trustee hereby incorporates by reference (i) its *Combined Reservation of Rights* filed on September 4, 2018 [Docket No. 67] (the "**Initial Reservation**"), (ii) its *Renewed Reservation of Rights* filed on September 19, 2018 [Docket No. 219] (the "**Renewed Reservation**"), and (iii) the *Declaration of Sandra Spivey* attached hereto as Appendix I (the "**Declaration**"), and respectfully states as follows:[1]

I. BACKGROUND

1. In 2015 and 2017, in order to address the Debtors' acute illiquidity and working capital needs, the Debtors issued the 2015 Notes and the 2017 Notes, respectively, under the Master Indenture as part of an out-of-court debt restructuring. The Notes were issued as "last in, first out" short-term working capital notes that mature on June 10, 2019 and December 10, 2020, respectively. To induce investment in the Notes, in addition to offering security on a *pari passu* basis with the

[1] Capitalized terms used but not defined herein shall have the meanings given to them in the Initial Reservation, the Renewed Reservation or the DIP Motion, as applicable.

other Obligations under the Master Indenture, including the Series 2005 Bonds, the Obligated Group and the Master Trustee agreed that the Notes would also be secured by senior priority liens and security interests in the Debtors' best available collateral, including (i) all of the Accounts[2] of St. Francis Medical Center, St. Vincent Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and Seton Medical Center, including Seton Medical Center Coastside (each a "**Hospital**" and collectively, the "**Hospitals**") and (ii) the real property and certain personal property comprising St. Francis Medical Center and Saint Louise Regional Hospital (collectively, the "**Note Collateral**"). The 2017 Notes are additionally secured by the Moss Deed of Trust.

2. As detailed in the Initial Reservation, the Notes Trustee's senior lien priority and collateral rights in the Note Collateral are memorialized and set forth in the Second Amended and Restated Intercreditor Agreement dated as of December 1, 2017 by and among the Notes Trustee, the Master Trustee, and the members of the Obligated Group (the "**Intercreditor Agreement**"). Pursuant to the Intercreditor Agreement, the Master Trustee (i) expressly subordinated its liens and security interests, including the Gross Revenue pledge, to the Notes Trustee with respect to all present and future Note Collateral, including, but not limited to, the assets described on Schedule C thereto, (ii) authorized the Notes Trustee, without the consent of the Master Trustee, to "accept additional or substituted security therefor," and (iii) covenanted and agreed that "until the principal of, interest on and premium, if any, on the Notes have been indefeasibly paid in full in cash any Liens and security interests of the Master Trustee in the Note Collateral . . . shall be and hereby are subordinated for all purposes, and in all respects to the Priority Liens and security interests of the

[2] "Accounts" includes, collectively, (a) any right to payment of a monetary obligation whether or not earned by performance, that relates to or arises out of any services provided or goods rendered by an Obligated Group Member (including, without limitation, payments made by or through a governmental authority to an individual patient assigned to such Member), (b) without duplication, any 'account' (as defined in the Uniform Commercial Code) ("*UCC*"), any accounts receivable, whether in the form of payments for services rendered or goods sold, rents, license fees or otherwise, any Health-Care-Insurance Receivables and any Payment Intangibles (each as defined in the UCC), (c) all General Intangibles, Intellectual Property (each as defined in the UCC), rights, remedies, guarantees, supporting obligations and letter of credit rights relating to or arising out of the foregoing assets described in clauses (a) and (b), (d) all information and data compiled or derived by any Member or to which any Member is entitled in respect of or related to the foregoing assets described in clauses (a) and (b) and (e) and all proceeds of any of the foregoing." *See* Amended and Restated Supplemental Master Indenture Number 20 dated as of January 1, 2016, between VHS and the prior Master Trustee.

Note Trustee in the Note Collateral" Intercreditor Agreement, §§ 2.1, 2.4 & 15.[3] The Intercreditor Agreement remains enforceable in these Cases, both by its express terms and under Section 510(a) of the Bankruptcy Code. *See* 11 U.S.C. § 510(a) ("A subordination agreement is enforceable in a case under this title to the same extent that such agreement is enforceable under applicable nonbankruptcy law.").

3. In these Cases, the Debtors seek a DIP Loan in an aggregate principal amount of up to $185,000,000 to fund anticipated short term negative cash flow while they conduct an orderly series of sales of their assets pursuant to Section 363 of the Bankruptcy Code. Although the Debtors hope that the sale proceeds will be sufficient to repay the DIP Loan, the Carve Out, and all of their Prepetition Secured Creditors, including both the Master Trustee and the Notes Trustee, there is nevertheless the risk that the sale proceeds of one or both of the two Hospitals subject to the Note Trustee's senior Lien (*i.e.*, St. Francis Medical Center and Saint Louise Regional Hospital), may be used in whole or in part to repay the DIP Facility, and that the Debtors' plan for full repayment might ultimately come up short.

4. On September 5, 2018, the Court entered its Interim Order approving the DIP Loan and providing adequate protection including Prepetition Replacement Liens (as defined therein) [Docket No. 86], with the consent of both the Master Trustee and the Notes Trustee. The Interim Order was acceptable to the Notes Trustee because, among other things, it protected the Notes Trustee against the obvious risk that its first priority Note Collateral, including proceeds of the sale of any Note Collateral, would be used to pay off the DIP Loan obligations of *all* the Debtors – not just St. Francis and Saint Louise – or would otherwise be dissipated. The Debtors addressed this problem by granting the Notes Trustee senior replacement liens in certain of the Debtors' pre- and postpetition assets, which replacement liens were junior to the DIP Liens, Carve Out, and certain prepetition liens granted by Holdings, but ahead of other prepetition liens, including the prepetition liens granted to the Master Trustee. The Master Trustee was also granted replacement liens ahead of

[3] A true and correct copy of the Intercreditor Agreement is attached as **Exhibit G** to the Declaration.

certain other prepetition liens, but agreed that any replacement liens granted to the Notes Trustee on account of the Diminution in Value of the priority Note Collateral would have priority over any replacement liens granted to the Master Trustee.[4] The Debtors now propose a Final Order that preserves the Notes Trustee's senior replacement lien priority in the same manner, which properly reflects and preserves the relative lien rights and subordination as between the Notes Trustee and the Master Trustee codified in the Intercreditor Agreement.

5. The Master Trustee, however, now objects to the Debtors' proposed replacement lien structure, claiming that its consent is required. In its Objection, the Master Trustee states that it is " . . . willing to consent to a Final Order approving the Financing Motion," but only if the Notes Trustee's adequate protection replacement liens are made the *junior* to all prepetition liens, including the prepetition liens of the Master Trustee.

6. The Notes Trustee respectfully submits that the replacement liens proposed by the Debtors are fair, necessary to provide adequate protection to the Notes Trustee, and consistent with and authorized by the Intercreditor Agreement and Bankruptcy Code Section 510(a). The Master Trustee's junior replacement lien proposal is advanced under the auspices of preserving "the Prepetition Secured Creditors' existing relative rights and bargained-for lending terms." Objection, ¶ 5. But the replacement lien provision proposed by the Master Trustee would have the opposite effect – *i.e.*, expressly subordinating the Notes Trustee's senior liens and security interests to the Master Trustee's prepetition lien on the Note Collateral.

7. The Notes Trustee endorses the notion that, "a debtor, in structuring a proposal of adequate protection for a secured creditor, 'should as nearly as possible under the circumstances of the case provide the creditor with the value of his bargained for rights.'" *Martin v. U.S.* (*In re Martin*), 761 F.2d 472, 476 (8th Cir. 1985) (quoting *Crocker Nat'l Bank v. Am. Mariner Indus., Inc.* (*In re Am. Mariner Indus., Inc.*), 734 F.2d 426, 435 (9th Cir.1984)). However, the key detail omitted from the Objection is that the "existing relative rights" between the Notes Trustee and the Master

[4] The Interim Order contained certain other priority rules designed to preserve other priority rights that are outside the scope of this limited response.

Trustee are governed by an expansive prepetition subordination arrangement, which is the fundamental "bargained-for lending term" of the holders of the Notes. *See* Intercreditor Agreement, § 2.1 ("each Note Holder shall be deemed to have acquired its Notes in reliance upon the provisions contained in this Agreement").

II. RESPONSE TO MASTER TRUSTEE'S REPLACEMENT LIEN POSITION

A. The Master Trustee's Proposed Junior Replacement Liens Utterly Fail to Provide Adequate Protection to the Notes Trustee.

8. Under the Master Trustee's alternative proposed DIP Order, Prepetition Replacement Liens would be subordinated to "any perfected, unavoidable, prepetition liens on the DIP Collateral (including any unavoidable Prepetition Liens of such Prepetition Secured Creditor or any other Prepetition Secured Creditor)." *See* Objection, Ex. A, ¶ 5(a).

9. In effect, the Master Trustee's version of "adequate protection" would provide no protection at all to the Notes Trustee. The Debtors have already represented to the Court that they have no material unencumbered assets. Therefore, if the Notes Trustee suffers a Diminution in Value of its senior Note Collateral, a junior replacement lien behind the Master Trustee's prepetition lien (which the Notes Trustee already shares) would by definition have no economic value. The Master Trustee's proposed treatment of the Notes Trustee's senior liens simply does not satisfy the Debtors' obligation to provide "adequate protection," and the Notes Trustee does not consent to such treatment.

B. The Intercreditor Agreement is Binding on the Master Trustee.

10. It is well established that intercreditor subordination arrangements are enforceable in bankruptcy. *See* 11 U.S.C. § 510(a); *Ion Media Networks, Inc. v. Cyrus Select Opportunities Master Fund, Ltd* (*In re Ion Media Networks, Inc.*), 419 B.R. 585, 595 (Bankr. S.D.N.Y. 2009) ("[t]he Intercreditor Agreement is an enforceable contract under section 510(a), and the Court will not disturb the bargained-for rights and restrictions governing the second lien debt currently held by [the junior lender]"); *Blue Ridge Investors, II, LP v. Wachovia Bank, N.A.* (*In re Aerosol Packaging, LLC*), 362 B.R. 43 (Bankr. N.D. Ga. 2006). And, indeed, the Intercreditor Agreement between the

Notes Trustee and Master Trustee, by its express terms, is enforceable in the event of bankruptcy.

Section 2.4 states that:

> [N]o obligations, liabilities, agreements, or duties of the Master Trustee under this Agreement shall be released, diminished, impaired, reduced, or affected by the occurrence of any of the following from time to time, even if occurring without notice to or *without the consent* of the Master Trustee: … (i) any Proceeding or any discharge, impairment, modification, release, or limitation of the liability of, or stay of actions or lien enforcement proceedings against, any properties of any Obligor, or the estate in bankruptcy of any Obligor in the course of or resulting from any such Proceedings; …

Intercreditor Agreement, § 2.4 (emphasis added).[5]

C. The Senior Replacement Liens Proposed By the Debtors Are Consistent With The Intercreditor Agreement.

11. Pursuant to the Intercreditor Agreement, the Master Trustee has subordinated its liens and security interests to the Note Trustee with respect to both "Priority Assets" and the broader category of present and future "Note Collateral" (each as defined under the Intercreditor Agreement), which includes Accounts and the Hospital Debtors' other cash collateral. Section 2.1 of the Intercreditor Agreement, entitled "Subordination of Master Trustee's Lien to Priority Lien," states that:

> Each Party covenants and agrees, and the Master Trustee covenants and agrees, notwithstanding anything to the contrary contained in the Master Indenture or any of the documents related to the Master Indenture or as a matter of law, that in or outside of any Proceeding any Lien of the Master Trustee with respect to the property constituting Priority Assets shall be and is hereby expressly made subordinate . . . to the Lien of the Note Trustee in such Priority Assets (whether or not such Lien of the Note Trustee is a perfected Lien).

Intercreditor Agreement, § 2.1.

12. Section 2.1 further grants the Notes Trustee priority rights in all Note Collateral whenever granted:

[5] *See also* Intercreditor Agreement, § 15 ("[t]his Agreement is a continuing agreement of subordination pursuant to its terms and in accordance with Section 510(a) of the Bankruptcy Code . . . . Master Trustee hereby acknowledges that the provisions of this Agreement are intended to be enforceable at all times, whether before or after the commencement of a Proceeding, and hereby waives any right it may have under applicable law to revoke this Agreement or any provisions hereof.").

> [N]otwithstanding the date, time, manner or order of grant, attachment or perfection of any Liens and security interests of the Master Trustee in the Note Collateral, until the principal of, interest on and premium, if any, on the Notes have been indefeasibly paid in full in cash, *any Liens and security interests of the Master Trustee* in the Note Collateral which may exist from time to time (whether the same exist on the date hereof or otherwise) *shall be* and hereby are *subordinated for all purposes and in all respects to the Priority Liens and security interests of the Note Trustee in the Note Collateral*.

Id. (emphasis added).

13. Note Collateral is an all-encompassing term used in contrast to the more limited subset of Priority Assets, which are identified on Schedule C to the Intercreditor Agreement. The term Note Collateral refers to all of the collateral rights granted to the Notes Trustee under the relevant security documents. *See* Intercreditor Agreement, ¶¶ A & 1(b).

14. Under Section 2.1 of the Amended and Restated Security Agreements, each dated as of December 1, 2017, each of the Hospital Debtors granted liens in their Accounts and specified bank accounts to the Notes Trustee, together with all "products, Proceeds and replacements." *See* Declaration, Exs. A-F.

15. Under the terms of the Intercreditor Agreement, the Master Trustee authorized the Notes Trustee, in its sole discretion, to consent to a priming lien and/or accept any substitute collateral or lien. Section 2.4, entitled "Unconditional Subordination," states that:

> [T]he Master Trustee hereby expressly agrees that the Note Trustee may, from time to time, *without notice to or the consent of the Master Trustee* . . . (iii) accelerate, *change*, *rearrange*, extend, or renew *the time, terms, or manner for payment or performance* of any one or more of the obligations of the Obligors under the Note Documents or the MTI Note Obligations; . . . (v) take, *exchange*, *amend*, eliminate, surrender, release, *or subordinate any or all security* for any or all of the obligations of the Obligors under the Note Documents or the MTI Note Obligations, *accept additional or substituted security therefor*, or perfect or fail to perfect the Note Trustee's rights in any or all security; . . . .

Intercreditor Agreement, § 2.4 (emphasis added).

16. Pursuant to this Section, the Note Trustee has the right to accept the Debtors' offer of replacement liens as adequate protection in the final DIP Order without the Master Trustee's consent. The Master Trustee does not have the ability to block the Debtors from offering, or the

Notes Trustee from accepting, replacement collateral to protect the Notes Trustee from the Diminution in Value of its priority Note Collateral. The Master Trustee gave up that right in the earlier restructurings so that the Debtors could obtain additional financing through the issuance of the Notes. Accordingly, the proposed Replacement Liens that the Debtors have offered and must offer to the Notes Trustee as adequate protection are authorized by the Intercreditor Agreement and the Bankruptcy Code and should be approved.

17. Finally, the Master Trustee made a separate covenant in the Intercreditor Agreement not to challenge the Note Trustee's senior lien status or support any attempt to subordinate the Note Trustee's senior liens and security interests. *See* Intercreditor Agreement, § 2.3 ("The Master Trustee, on behalf of itself and the Holders of all outstanding Obligations under the Master Indenture, agrees that it will not, and will not cause or support any other Person to, at any time contest, seek to avoid or subordinate the validity, perfection, priority, extent or enforceability of the Notes, the Note Documents, this Agreement or any Liens and security interests of the Note Trustee in the Note Collateral securing the Notes.").[6] By attempting to expose the Notes Trustee to the risk that its senior collateral will be used and replaced with only a valueless junior lien, the Master Trustee would violate the spirit if not the letter of its commitment in the Intercreditor Agreement.

D. The Senior Replacement Liens Granted to the Notes Trustee in the Proposed Final Order are Necessary and Appropriate.

18. No one disputes that the Notes Trustee is entitled to adequate protection as a matter of law in light of both the priming liens granted to the DIP Lender and the Debtors' use of the senior Note Collateral, including cash collateral. 11 U.S.C. §§ 361, 363(e) & 364(d)(1). "Adequate protection is a question of fact to be decided on a case-by-case basis under the totality of the circumstances." *In re Lister-Petter Americas, Inc*., No. 15-10502, 2017 WL 1511888, at *7 (Bankr. D. Kan. Apr. 26, 2017);[7] *see also In re Swedeland Dev. Grp., Inc*., 16 F.3d 552, 564 (3d Cir. 1994).

[6] *See also* Intercreditor Agreement, § 3.3 ("The Note Trustee is hereby authorized to demand specific performance of this Agreement at any time when the Master Trustee shall have failed to comply with any provision hereof. The Master Trustee hereby irrevocably waives any defenses based on the adequacy of a remedy at law which might be asserted as a bar to the action of the Note Trustee.").

[7] Attached hereto as Appendix II – A. In accordance with Local Rule 9013-2(c), unmarked, complete copies of all

The Court has broad discretion in determining the particular means and method of adequate protection in each case. *See Lend Lease v. Briggs Transp. Co.* (*In re Briggs Transp. Co.*), 780 F.2d 1339, 1347 (8th Cir. 1985) ("[T]he legislative history indicates that Congress has repeatedly expressed its desire to give bankruptcy courts broad discretion. By incorporating flexibility into the code, Congress plainly intended adequate protection issues to be resolved on a case-by-case basis and expected anomalous results.") (citations omitted); *In re Vander Vegt*, 499 B.R. 631, 637 (Bankr. N.D. Iowa 2013) ("[a]dequate protection was meant to be a "flexible concept 'to permit the courts to adapt to varying circumstances and changing modes of financing,' and that such matters 'are [to be] left to case-by-case interpretation and development'") (quoting *Martin*, 761 F.2d at 474), *aff'd sub nom.*, 511 B.R. 567 (N.D. Iowa 2014).

19. Bankruptcy Code Section 361 sets forth three non-exclusive examples of adequate protection: (1) a single cash payment or period cash payments; (2) an "additional or replacement lien"; and (3) "such other relief . . . as will result in the realization by such entity of the indubitable equivalent of such entity's interest in such property." 11 U.S.C. § 361(1), (2) & (3). *See also In re Mellor*, 734 F.2d 1396, 1400 (9th Cir. 1984) (holding that Section 361 is not an exclusive list of means of providing adequate protection). But, as an analytical framework, "[c]ourts have concluded that a proposal of adequate protection 'should as nearly as possible under the circumstances of the case provide the creditor with the value of his bargained for rights.'" *In re Bay Circle Props., LLC*, 577 B.R. 587, 595 (Bankr. N.D. Ga. 2017) (quoting *Martin*, 761 F.2d at 476); *see also In re O'Connor*, 808 F.2d 1393, 1396 (10th Cir.1987) ("[t]he whole purpose in providing adequate protection for a creditor is to insure that the creditor receives the value for which the creditor bargained pre-bankruptcy"); *In re Carter*, No. BR 11-00759, 2012 WL 4737372, at *3 (Bankr. N.D. Iowa Oct. 3, 2012) ("[adequate protection] is a flexible concept designed to ensure that the creditor receives the value for which it bargained").[8]

20. Accordingly, in fashioning an appropriate form of adequate protection, courts must

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decisions not available in approved reporters are attached hereto as Appendix II.

[8] Attached hereto as Appendix II – B.

address the circumstance of a subordination arrangement among constituent creditors. *See generally In re Plymouth House Health Care Ctr.*, No. 03-19135, 2005 WL 2589201, at *8 (Bankr. E.D. Pa. Mar. 15, 2005) (collecting cases addressing subordination arrangements in connection with adequate protection under section 362(d)(1)). Indeed, the failure to do so would run afoul of Bankruptcy Code section 510(a).[9]

21. The Notes Trustee's "bargained for" rights are embodied in the subordination arrangement set forth in the Intercreditor Agreement. Those rights include, *inter alia*, (i) a senior lien priority over the liens and security interests granted to the Master Trustee, including the Gross Revenue pledge, with respect to the Note Collateral, (ii) the authority to "surrender, release, or subordinate any or all security for any or all of the obligations of the Obligors under the Note Documents or the MTI Note Obligations" and/or "accept additional or substituted security therefor" without the consent of the Master Trustee, and (iii) the assurance that the Master Trustee's liens and security interests in the Note Collateral would be "subordinated for all purposes, and in all respects" to the priority liens granted the Notes Trustee "until the principal of, interest on and premium, if any, on the Notes have been indefeasibly paid in full in cash." Intercreditor Agreement, §§ 2.1, 2.4 & 15. The adequate protection regime set forth in the proposed Final Order preserves the Notes Trustee's senior lien priority and collateral rights vis-à-vis the Master Trustee with respect to replacement liens (*i.e.*, "additional or substituted security"), and ensures that the Notes Trustee's senior lien rights are adequately protected in the event that its Note Collateral suffers diminution or is used to repay the DIP Facility. (*See* Objection, ¶ 23 ("the Debtors must provide adequate protection that is crafted to preserve the *status quo* for affected secured creditors").

22. In contrast, the replacement lien provision proposed by the Master Trustee would expressly subordinate the Notes Trustee's senior liens and security interests to the Master Trustee's junior prepetition lien on the Note Collateral, in contravention of the Intercreditor Agreement and Bankruptcy Code Section 510(a). Under the Master Trustee's suggested adequate protection

[9] Attached hereto as Appendix II – C.

scheme, the assets subject to the Notes Trustee's senior priority lien (*e.g.*, St. Francis Medical Center and Saint Louise Regional Hospital) could be sold and the proceeds used to repay the DIP Facility in whole or in part, and the Notes Trustee would be left with a mere junior replacement lien, subordinate to the Master Trustee's prepetition liens and security interests. No such result could occur outside of bankruptcy in light of the Master Trustee's subordination under the Intercreditor Agreement and, therefore, no such result is permissible in bankruptcy.

23. In addition, as noted above, the Notes Trustee already holds a *pari passu* interest in the collateral pledged to the Master Trustee. Purporting to grant the Notes Trustee a secondary subordinate lien on the same collateral is neither "adequate" nor is it "protection"; it is completely ephemeral and appears to accomplish nothing more than providing the Master Trustee a potential end-run around the subordination provisions set forth in the Intercreditor Agreement.

24. The Master Trustee and the Series 2005 Trustee argue in their Objection that the senior replacement liens granted to the Notes Trustee in the proposed Final Order are improper, citing *Desert Fire Protection, et al. v. Fountainebleau Las Vegas Holdings, LLC* (*In re Fountainebleu Las Vegas Holdings, LLC*), 434 B.R. 716 (S.D. Fla. 2010). The *Fountainebleau* case involved a lien priority dispute between certain prepetition term lenders and statutory lien claimants in connection with a failed casino construction project. Unlike the situation presented here, there was no prepetition intercreditor or subordination arrangement between the prepetition creditors, nor had the relative prepetition lien priorities been resolved at the time the disputed financing orders were entered. Because there was no intercreditor agreement, Bankruptcy Code Section 510(a) was not implicated.

25. The Master Trustee and Series 2005 Trustee's characterization of the senior replacement lien as "an extraordinary feature that is not supported by legal authority" is, likewise, unavailing. As a point of fact, the granting of senior replacement liens that mirror the prepetition priorities of secured creditors is a common feature in financing orders and decidedly proper. *See, e.g.*, *In re Bailey Tool & Mfg. Co.*, No. 16-30503-BJH, 2018 WL 550581, at *3 (Bankr. N.D. Tex. Jan. 23, 2018 ("As between Republic and Comerica, the Adequate Protection Liens and the

Superpriority Claims shall have the priority provided in the Subordination and Intercreditor Agreement dated February 25, 2015 between Republic, Comerica, the Debtors, John Buttles, and Buttolph Technology, LLC");[10] *In re Allied Sys. Holdings, Inc.*, No. 12-11564 (CSS), 2012 WL 13033641, at *16 (Bankr. D. Del. July 12, 2012) ("Pursuant to Bankruptcy Code section 510, the Prepetition Intercreditor Agreement shall remain in full force and effect in the Chapter 11 Cases and in any subsequent proceedings under the Bankruptcy Code, including, without limitation, a Successor Case. Notwithstanding anything to the contrary contained in this Final Order, the Prepetition Lender Liens, the Adequate Protection Liens and the Adequate Protection Priority Claims shall be subject to the terms of the Prepetition Intercreditor Agreement");[11] *In re Graceway Pharm., LLC*, No. 11-13036, 2011 WL 6296789 (Bankr. D. Del. Sep. 30, 2011) ("For the avoidance of doubt, the Adequate Protection Replacement Liens granted to the Second Lien Agent for the benefit of the Second Lien Claimholders shall be subordinated to the Adequate Protection Replacement Liens granted to the First Lien Agent for the benefit of the First Lien Claimholders on the same basis as the Second Priority Liens are subordinated to the First Priority Liens under the Intercreditor Agreement");[12] *In re True Temper Sports, Inc.*, No. 09-13446 PJW, 2009 WL 7226692, at *17 (Bankr. D. Del. Oct. 30, 2009) ("in determining the relative priorities and rights of the Prepetition Secured Parties (including, without limitation, the relative priorities and rights of the Prepetition Secured Parties with respect to the Prepetition Secured Parties' Adequate Protections and the Adequate Protection Liens), (i) the Second Priority Adequate Protection Replacement Liens and the Second Priority Adequate Protection Super–Priority Claims shall be immediately junior in priority and subject to the First Priority Adequate Protection Replacement Liens and the First Priority Adequate Protection Replacement Liens, respectively, and (ii) all other such relative priorities and rights shall continue to be governed by the Prepetition Loan Documents and the

[10] Attached hereto as Appendix II – D.

[11] Attached hereto as Appendix II – E.

[12] Attached hereto as Appendix II – F.

Prepetition Intercreditor Agreement.");[13] *In re Goody's, LLC*, No. 09-10124 CSS, 2009 WL 7698528, at *5 (Bankr. D. Del. Mar. 3, 2009) ("the Adequate Protection Liens granted to the Prepetition Revolver Agent and Prepetition Revolver Lenders shall be senior to the Adequate Protection Liens and prepetition liens of the Prepetition Term Loan Agent and Prepetition Term Loan Lenders in accordance with the Intercreditor Agreement (as defined herein) with respect to all types of Collateral as to which the liens of the Prepetition Revolver Agent and Prepetition Revolver Lenders had priority as of the Petition Date").[14]

III. CONCLUSION

26. For the foregoing reasons, the Court should approve the final DIP Order as proposed by the Debtors and overrule the Objection as it relates to the priority of the Prepetition Replacement Liens proposed to be granted to the Notes Trustee.

[13] Attached hereto as Appendix II – G.

[14] Attached hereto as Appendix II – H.

Dated: October 1, 2018

MCDERMOTT WILL & EMERY LLP

By: /s/ Jason D. Strabo
Jason D. Strabo

MASLON LLP

By: /s/ Clark T. Whitmore
Clark T. Whitmore

Attorneys for U.S. Bank National Association, not individually but as Series 2015 Note Trustee and Series 2017 Note Trustee, respectively

Appendix I

Declaration of Sandra Spivey

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

In re:

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *ET AL.*,

Debtors.

Lead Case No: 2-18-bk-20151-ER
Jointly Administered
Chapter 11 Cases

Hon. Ernest M. Robles

DECLARATION OF SANDRA SPIVEY

DECLARATION OF SANDRA SPIVEY

I, Sandra Spivey, declare as follows:

1. I make this Declaration in support of the *Response To Master Trustee and Series 2005 Trustee's Objection to 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 and1108* (the "**Response**") filed by U.S. Bank National Association, not individually, but as Series 2015 Note Trustee and Series 2017 Note Trustee, respectively.

2. I am presently employed by U.S. Bank National Association as a Vice President in the Default Services Group of Global Trust Services, and I am currently responsible for the administration of U.S. Bank's duties as Notes Trustee under the 2015 Notes Indentures and 2017 Notes Indentures. The documents attached to this Declaration are business records of U.S. Bank National Association in its respective capacities Notes Trustee for the Series 2015 Notes and Series 2017 Notes that have been maintained in the ordinary course of by employees of U.S. Bank with a duty to maintain them, and based thereon the statements herein are within my personal knowledge and if sworn as a witness, I could and would testify competently thereto.

3. Attached hereto as **Exhibit A** is a true and correct copy of that certain Second Amended and Restated Security Agreement dated as of December 1, 2017, by and between Seton Medical Center and U.S. Bank National Association as Notes Trustee.

4. Attached hereto as **Exhibit B** is a true and correct copy of that certain Second Amended and Restated Security Agreement dated as of December 1, 2017, by and between Saint Louise Regional Hospital and U.S. Bank National Association as Notes Trustee.

5. Attached hereto as **Exhibit C** is a true and correct copy of that certain Second Amended and Restated Security Agreement dated as of December 1, 2017, by and between St. Francis Medical Center and U.S. Bank National Association as Notes Trustee.

6. Attached hereto as **Exhibit D** is a true and correct copy of that certain Second Amended and Restated Security Agreement dated as of December 1, 2017, by and between O'Connor

Hospital and U.S. Bank National Association as Notes Trustee.

7. Attached hereto as **Exhibit E** is a true and correct copy of that certain Second Amended and Restated Security Agreement dated as of December 1, 2017, by and between St. Vincent Medical Center and U.S. Bank National Association as Notes Trustee.

8. Attached hereto as **Exhibit F** is a true and correct copy of that certain Second Amended and Restated Security Agreement dated as of December 1, 2017, by and between Seton Coastside, a division of Seton Medical Center, and U.S. Bank National Association as Notes Trustee.

9. Attached hereto as **Exhibit G** is a true and correct copy of that certain Second Amended and Restated Intercreditor Agreement dated as of December 1, 2017, by and among Verity Health System of California, Inc. on behalf of the Obligated Group[1], U.S. Bank National Association, as Notes Trustee, and the Master Trustee, who is now UMB Bank, National Association.

10. Attached hereto as **Exhibit H** is a true and correct copy of that certain Second Amended and Restated Deed of Trust with Fixture Filing and Security Agreement and Assignment of Leases and Rents relating to 3630 East Imperial Highway, Lynwood, California, dated as of December 28, 2017 by St. Francis Medical Center to Chicago Title Insurance Company for the benefit of the U.S. Bank National Association as Notes Trustee.

11. Attached hereto as **Exhibit I** is a true and correct copy of that certain Second Amended and Restated Deed of Trust with Fixture Filing and Security Agreement and Assignment of Leases and Rents relating to 2700 East Slauson Avenue, Huntington Park, California, dated as of December 28, 2017 by St. Francis Medical Center to Chicago Title Insurance Company for the benefit of the U.S. Bank National Association as Notes Trustee.

12. Attached hereto as **Exhibit J** is a true and correct copy of that certain Second Amended and Restated Deed of Trust with Fixture Filing and Security Agreement and Assignment of

[1] Capitalized terms used but not defined herein shall have the meanings given to them in the Response. As used herein, "Obligated Group" shall mean group hospitals consisting of Seton Medical Center, Saint Louise Regional Hospital, St. Francis Medical Center, O'Connor Hospital, and St. Vincent Medical Center.

Leases and Rents relating to 5953 Atlantic Boulevard, Maywood, California, dated as of December 28, 2017 by St. Francis Medical Center to Chicago Title Insurance Company for the benefit of the U.S. Bank National Association as Notes Trustee.

13. Attached hereto as **Exhibit K** is a true and correct copy of that certain Second Amended and Restated Deed of Trust with Fixture Filing and Security Agreement and Assignment of Leases and Rents dated as of December 28, 2017 by Saint Louise Regional Hospital to Chicago Title Insurance Company for the benefit of the U.S. Bank National Association as Notes Trustee.

14. Attached hereto as **Exhibit L** is a true and correct copy of that certain Second Amended and Restated Subordination Agreement relating to 3630 East Imperial Highway, Lynwood, California, dated as of December 28, 2017, by and between St. Francis Medical Center and U.S. Bank National Association as Master Trustee.

15. Attached hereto as **Exhibit M** is a true and correct copy of that certain Second Amended and Restated Subordination Agreement relating to 2700 East Slauson Avenue, Huntington Park, California, dated as of December 28, 2017, by and between St. Francis Medical Center and U.S. Bank National Association as Master Trustee.

16. Attached hereto as **Exhibit N** is a true and correct copy of that certain Second Amended and Restated Subordination Agreement relating to 5953 Atlantic Boulevard, Maywood, California, dated as of December 28, 2017, by and between St. Francis Medical Center and U.S. Bank National Association as Master Trustee.

17. Attached hereto as **Exhibit O** is a true and correct copy of that certain Second Amended and Restated Subordination Agreement dated as of December 28, 2017, by and between Saint Louise Regional Hospital and U.S. Bank National Association as Master Trustee.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 28th day of September, 2018, in Las Vegas, Nevada.

By: _____
Sandra Spivey

EXHIBIT A

SECOND AMENDED AND RESTATED SECURITY AGREEMENT

This Second Amended and Restated Security Agreement (this "Agreement") is dated as of December 1, 2017, and amends and restates the Amended and Restated Security Agreement (the "Existing Agreement"), dated as of September 1, 2017 by and between SETON MEDICAL CENTER, a California nonprofit public benefit corporation ("Grantor"), and U.S. BANK NATIONAL ASSOCIATION, as trustee ("Note Trustee"), as assignee under the Loan Agreements described on Schedule I annexed hereto and as may hereafter be amended, supplemented or otherwise modified from time to time, each between the California Public Finance Authority (the "Authority") and Verity Health System of California, Inc. (the "Corporation"), executed in connection with the issuance of notes by the Authority (collectively, the "Notes").

WITNESSETH:

WHEREAS, at the request of the Corporation, the Authority issued $160,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2015 in four separate series (collectively, the "Series 2015 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2015 Notes, which were used for refinancing, working capital and other purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2015 Notes by the Authority and the making of loans under the Loan Agreements executed in connection with the Series 2015 Notes (the "2015 Loan Agreements") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017 in a single series (the "Series 2017 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2017 Notes, which were used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017 Notes by the Authority and the making of loans under the Loan Agreement executed in connection with the Series 2017 Notes (the "2017 Loan Agreement") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017B in a single series (the "Series 2017B Notes" and, together with the Series 2015 Notes, and the Series 2017 Notes, the "Notes").

WHEREAS, Grantor is a recipient and beneficiary of certain proceeds of the Series 2017B Notes, which will be used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017B Notes by the Authority and the making of a loan under the Loan Agreement between the Authority and the Grantor executed in connection with the Series 2017B Notes (the "2017B Loan Agreement" and, together with the 2015 Loan Agreements and the 2017 Loan Agreement, the "Loan Agreements") that Grantor amend the Existing Agreement so as to provide that the grant of the security interests and undertaking of obligations contemplated by the Existing Agreement extend to the loan under the 2017B Loan Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor hereby agrees with Note Trustee as follows:

1. Definitions

(a) As used herein, capitalized terms shall have the meanings given to them in the Loan Agreements, except as otherwise defined herein or as the context otherwise requires. The term "Note Documents" shall have the meaning set forth in the Second Amended and Restated Intercreditor Agreement, dated of even date herewith among the Corporation, the other Obligors (as defined therein) including the Grantor, Note Trustee and U.S. Bank National Association, as Master Trustee ("Master Trustee") under the Master Indenture of Trust, dated as of December 1, 2001 (as amended, supplemented or otherwise modified from time to time, the "Master Indenture"), by and among the Corporation, the Initial Members (as defined therein) and Master Trustee. The term "Accounts" shall have the meaning set forth in the Indentures, dated as of December 1, 2015, as amended by the First Amendment to Indentures, dated as of February 1, 2016, the Indenture, dated as of September 1, 2017 and the Indenture, dated as of December 1, 2017 (collectively, the "Indentures"), each between the Authority and the Note Trustee (and for convenience, attached on Schedule V hereto). The terms "15% Cap", "Indebtedness" and "Reference Year" shall have the meanings set forth in the Amended and Restated Supplemental Master Indenture Number 20, dated as of January 1, 2016, between the Corporation and the Master Trustee.

(b) Any term used in the Uniform Commercial Code as adopted in the State of California, as it may hereafter be amended ("UCC") and not defined in this Agreement has the meaning given to the term in the UCC.

2. Grant of Security

Grantor hereby assigns to Note Trustee, and hereby grants to Note Trustee a continuing, first priority security interest in, all of Grantor's right, title, and interest in and to the following property of Grantor, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (collectively, the "Collateral"):

(a) All Accounts;

(b) Certain bank accounts (the "Bank Accounts") and all amounts deposited therein that are subject to Deposit Account Control Agreements, including, without limitation, those Bank Accounts listed on Schedule II annexed hereto; and

(c) All products, Proceeds and replacements thereof;

provided, however, that if, following the grant of the foregoing security interest, the amount of Indebtedness secured by the Collateral exceeds the 15% Cap, as it may be revised subsequent to the date hereof due to a change in the Reference Year, (x) the security interest in the Collateral granted herein (pursuant to clause (m) of the definition of "Permitted Liens" in the Master Indenture) shall, without further action by the Obligated Group or any party secured hereby, secure only an amount of the Notes that does not exceed the amount of such revised 15% Cap and (y) if separate liens on Accounts are in effect at such time under clause (m) of the definition of "Permitted Indebtedness" of the Master Indenture, any such automatic reduction in the amount of Indebtedness so secured shall occur pro rata in accordance with the principal amount of such Indebtedness.

3. Security for Obligation

This Agreement secures, and the Collateral is collateral security for, the prompt payment and performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), of all obligations and liabilities of every nature of all Obligors now or hereafter existing under or arising out of or in connection with the Loan Agreements and the other Note Documents and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Grantor, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise (all such obligations and liabilities being the "Underlying Debt"), and all obligations of every nature of Grantor now or hereafter existing under this Agreement (all such obligations of Grantor, together with the Underlying Debt, being collectively referred to as the "Secured Obligations").

4. Grantor Remains Liable

Anything contained herein to the contrary notwithstanding, (a) Grantor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Note Trustee of any of its rights hereunder shall not release Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Note Trustee shall not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement, nor shall

Note Trustee be obligated to perform any of the obligations or duties of Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

5. Representations and Warranties

Grantor represents and warrants as follows:

(a) Ownership of Collateral

Grantor has rights in or the power to transfer the Collateral and except for the Liens permitted under the Loan Agreements and the Master Indenture and the security interest created by this Agreement, Grantor owns the Collateral free and clear of any Lien. Except with respect to the interests and financing statements disclosed in Schedule III annexed hereto and such as may have been filed in favor of Note Trustee relating to this Agreement, no financing statement or other instrument similar in effect covering all or any part of the Collateral or listing Grantor as a debtor is on file in any filing or recording office.

(b) State of Incorporation; Name of Grantor; Office Locations; Other Names

The state of incorporation, the exact legal name of Grantor, the chief place of business, the chief executive office and the office where Grantor keeps its books and records is, and has been for the four month period preceding the date hereof, indicated on Schedule IV annexed hereto and Grantor has not in the past done, and does not now do, business under any other name (including any trade-name or fictitious business name) except as set forth on Schedule IV annexed hereto.

(c) Other Information

All information heretofore, herein or hereafter supplied to Note Trustee by or on behalf of Grantor with respect to the Collateral in connection with this Agreement, the Loan Agreements or the other Note Documents is accurate and complete in all respects.

6. Further Assurances

(a) Grantor agrees that from time to time, at the sole expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Note Trustee to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Grantor will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Note Trustee may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (ii) at any reasonable time, upon request by Note Trustee, exhibit the Collateral to and allow inspection of the Collateral by Note Trustee, or persons designated by Note Trustee, and (iii) at Note Trustee's reasonable request, appear in and defend any action or proceeding that may affect Grantor's title to or Note Trustee's security interest in all or any part of the Collateral.

(b) Grantor hereby authorizes Note Trustee to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Grantor. Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

(c) Grantor will furnish to Note Trustee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Note Trustee may reasonably request, all in reasonable detail.

7. Certain Covenants of Grantor

Grantor shall:

(a) Not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(b) Change the state of its incorporation;

(c) Notify Note Trustee of any change in Grantor's name, identity or corporate structure at least 30 days prior to such change; and

(d) Give Note Trustee 30 days' prior written notice of any change in Grantor's chief place of business, chief executive office or residence or the office where Grantor keeps its records.

8. Special Covenants With Respect to Accounts

(a) Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Accounts, and all originals of all chattel paper that evidence Accounts, at the location therefor specified in Section 5 or, upon 30 days' prior written notice to Note Trustee, at such other location in a jurisdiction where all action that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Note Trustee to exercise and enforce its rights and remedies hereunder, with respect to such Accounts. Grantor will hold and preserve such records and chattel paper and will permit representatives of Note Trustee at any time during normal business hours upon reasonable advance notice to inspect and make abstracts from such records and chattel paper, and Grantor agrees to render to Note Trustee, at Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto.

(b) Except as otherwise provided in this subsection (b), Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor under the Accounts. In connection with such collections, Grantor may take (and, at Note Trustee's direction following the occurrence and during the continuation of an Event of Default, shall take) such actions as Note Trustee may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Note Trustee shall have the right at any

time, upon the occurrence and during the continuation of an Event of Default, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Note Trustee and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee, to notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee and, upon such notification and at the sole expense of Grantor, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor might have done. Immediately upon receipt by Grantor of the notice from Note Trustee referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including checks and other instruments) received by Grantor in respect of the Accounts shall be received in trust for the benefit of Note Trustee hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over or delivered to Note Trustee in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 14, and (ii) Grantor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon, except as otherwise directed by Note Trustee.

(c) Grantor shall not change its instructions with respect to the Governmental Accounts identified on Schedule II such that the disposition of funds in these accounts is directed to be transferred to accounts other than (a) the Bank Accounts subject to Deposit Control Agreements identified on Schedule II or (b) to other bank accounts subject to deposit control agreements acceptable to Note Trustee and Master Trustee.

9. Transfers and Other Liens

Note Trustee does not authorize and Grantor agrees not to:

(a) (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as expressly permitted by the Loan Agreements or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the security interest under this Agreement; or

(b) create or suffer to exist any Lien upon or with respect to any of the Collateral to secure the indebtedness or other obligations of any Person, except for the lien of the Master Trustee on Gross Revenues which includes the Receivables (which is subordinate in all respects to Note Trustee's Lien under this Agreement) and any other interests disclosed in Schedule III annexed hereto and the security interest created by this Agreement and Liens permitted under the Loan Agreements.

10. Default

The occurrence of any of the following events shall constitute an Event of Default hereunder:

(a) Covenants. Grantor shall fail to observe or perform any covenant or agreement contained herein.

(b) Other Defaults. An event of default occurs under any of the Note Documents.

(c) Cross- Defaults. An event of default occurs under the Master Indenture.

11. Note Trustee Appointed Attorney-in-Fact

Grantor hereby irrevocably appoints Note Trustee as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, Note Trustee or otherwise, from time to time in Note Trustee's discretion to take any action and to execute any instrument that Note Trustee may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation:

(a) Upon the occurrence and during the continuation of an Event of Default, to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) To receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) and, upon the occurrence and during the continuation of an Event of Default, (c) below;

(c) Upon the occurrence and during the continuation of an Event of Default, to file any claims or take any action or institute any proceedings that Note Trustee may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Note Trustee with respect to any of the Collateral;

(d) To pay or discharge taxes or Liens (other than Liens permitted under this Agreement, the Loan Agreements or the Master Indenture) levied or placed upon the Collateral, the legality or validity of such taxes or Liens and the amounts necessary to discharge the same to be determined by Note Trustee in its sole discretion, any such payments made by Note Trustee to become obligations of Grantor to Note Trustee, due and payable immediately without demand; and

(e) Upon the occurrence and during the continuation of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect, to or otherwise deal with any of the Collateral as fully and completely as though Note Trustee were the absolute owner thereof for all purposes, and to do, at Note Trustee's option and Grantor's expense, at any time or from time to time, all acts and things that Note Trustee deems necessary to protect, preserve or realize upon the Collateral and Note Trustee's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as Grantor might do.

12. Note Trustee May Perform

If Grantor fails to perform any agreement contained herein, Note Trustee may itself perform, or cause performance of, such agreement, and the reasonable expenses of Note Trustee incurred in connection therewith shall be payable by Grantor under Section 14.

13. Standard of Care

The powers conferred on Note Trustee hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Note Trustee shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Note Trustee shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Note Trustee accords its own property.

14. Remedies

If any Event of Default shall have occurred and be continuing, Note Trustee may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it (including, without limitation, sending a notice of activation under any Deposit Account Control Agreement), all the rights and remedies of a secured party in default under the UCC (whether or not the UCC applies to the affected Collateral), and also may (a) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Note Trustee forthwith, assemble all or part of the Collateral as directed by Note Trustee and make it available to Note Trustee at a place to be designated by Note Trustee that is reasonably convenient to both parties, (b) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Note Trustee deems appropriate, and (c) collect proceeds of Collateral. All costs and expenses of Note Trustee and any persons hired by Note Trustee in preserving, protecting or enforcing Note Trustee's rights under this Agreement or against the Collateral shall be reimbursed immediately by Grantor and added to and be part of the Secured Obligations.

15. Application of Proceeds

All proceeds received by Note Trustee shall be applied to the Secured Obligations on a pro rata basis.

16. Continuing Security Interest

(a) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the indefeasible payment in full of the Secured Obligations and the cancellation or termination of the Notes, (ii) be binding upon Grantor, its successors and assigns, and shall bind all Persons who become bound as a debtor to this Agreement, and (iii) inure, together with the rights and remedies of Note Trustee hereunder, to the benefit of Note Trustee and its successors, transferees and assigns. Subject to subsection (b) below, upon the payment in full of all Secured Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Grantor. Upon any such termination Note Trustee will, at Grantor's sole expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

(b) In the event that all or any portion of the Secured Obligations are paid, the obligations of Grantor hereunder shall continue and remain in full force and effect or be

reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Secured Obligations for all purposes of this Agreement.

17. Amendments, Etc.

(a) No amendment or waiver of any provision of this Agreement, or consent to any departure by herefrom, shall in any event be effective unless the same shall be in writing and signed by the party against which it is sought to be enforced, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

18. Notices

Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, telexed or sent by United States mail or courier service and shall be deemed to have been given when a record has been delivered in person or by courier service, upon receipt of telecopy or telex, or four Business Days after depositing it in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

19. Failure or Indulgence Not Waiver; Remedies Cumulative

No failure or delay on the part of Note Trustee in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

20. Severability

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

21. Headings

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

22. Governing Law; Terms

THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES FOR THE APPLICATION OF THE LAW OF THE STATE OF GRANTOR'S INCORPORATION.

23. Consent to Jurisdiction and Service of Process

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST GRANTOR ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT GRANTOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. Grantor hereby agrees that service of process sufficient for personal jurisdiction in any action against Grantor in the State of California may be made by registered or certified mail, return receipt requested, to Grantor pursuant to Section 18, and Grantor hereby acknowledges that such service shall be effective and binding in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of Grantor or Note Trustee to bring proceedings in the courts of any other jurisdiction, or object thereto.

24. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, Grantor and Note Trustee have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SETON MEDICAL CENTER, as Grantor

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of Seton Medical Center

By: _____
Name: Ty Conner
Title: Vice President and Treasurer

Notice Address:

Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, CA 94065
Attn: Treasurer

with copies to:

Squire Patton Boggs
275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

U.S. BANK NATIONAL ASSOCIATION, as Note Trustee

By _____
Julia Hommel, Vice President

Notice Address:

633 West Fifth. Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

IN WITNESS WHEREOF, Grantor and Note Trustee have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SETON MEDICAL CENTER, as Grantor

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of Seton Medical Center

By: _____
Name: Ty Conner
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275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

U.S. BANK NATIONAL ASSOCIATION, as Note Trustee

By _____
Julia Hommel, Vice President

Notice Address:

633 West Fifth. Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

SCHEDULE I
to Second Amended and Restated Security Agreement

LOAN AGREEMENTS FOR SERIES 2015 NOTES

1.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $60,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015A, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

2.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015B, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

3.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $10,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015C (Federally Taxable), as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

4.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015D, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

LOAN AGREEMENT FOR SERIES 2017 NOTES

5.) Loan Agreement, dated as of September 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017

LOAN AGREEMENT FOR SERIES 2017B NOTES

6.) Loan Agreement, dated as of December 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017B

SCHEDULE II
to Second Amended and Restated Security Agreement

BANK ACCOUNTS

DEPOSIT ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
Seton Medical Center	Bank of America, N.A.	Deposit Account No. 1499783XXX

GOVERNMENT RECEIVABLES ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
Seton Medical Center	Bank of America, N.A.	Deposit Account No. 14990-02XXX

SCHEDULE III
to Second Amended and Restated Security Agreement

LIENS AND ENCUMBRANCES OF GRANTOR

Lien on Gross Revenues Pledged to the Master Trustee pursuant to the Master Indenture.

See attached List of UCC Financing Statements.

SCHEDULE IV
to Second Amended and Restated Security Agreement

STATE OF INCORPORATION; NAME OF GRANTOR; OFFICE LOCATIONS; OTHER NAMES

SCHEDULE V

Definition of "Accounts"

""Accounts" means collectively, (a) any right to payment of a monetary obligation whether or not earned by performance, that relates to or arises out of any services provided or goods rendered by an Obligated Group Member (including, without limitation, payments made by or through a governmental authority to an individual patient assigned to such Member), (b) without duplication, any 'account' (as defined in the UCC), any accounts receivable, whether in the form of payments for services rendered or goods sold, rents, license fees or otherwise), any Health-Care-Insurance Receivables (as defined in the UCC) and any Payment Intangibles (as defined in the UCC), (c) all General Intangibles (as defined in the UCC), Intellectual Property (as defined in the UCC), rights, remedies, guarantees, supporting obligations and letter of credit rights relating to or arising out of the foregoing assets described in clauses (a) and (b), (d) all information and data compiled or derived by any Member or to which any Member is entitled in respect of or related to the foregoing assets described in clauses (a) and (b) and (e) and all proceeds of any of the foregoing."

EXHIBIT B

SECOND AMENDED AND RESTATED SECURITY AGREEMENT

This Second Amended and Restated Security Agreement (this "Agreement") is dated as of December 1, 2017, and amends and restates the Amended and Restated Security Agreement (the "Existing Agreement"), dated as of September 1, 2017 by and between SAINT LOUISE REGIONAL HOSPITAL, a California nonprofit public benefit corporation ("Grantor"), and U.S. BANK NATIONAL ASSOCIATION, as trustee ("Note Trustee"), as assignee under the Loan Agreements described on Schedule I annexed hereto and as may hereafter be amended, supplemented or otherwise modified from time to time, each between the California Public Finance Authority (the "Authority") and Verity Health System of California, Inc. (the "Corporation"), executed in connection with the issuance of notes by the Authority (collectively, the "Notes").

WITNESSETH:

WHEREAS, at the request of the Corporation, the Authority issued $160,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2015 in four separate series (collectively, the "Series 2015 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2015 Notes, which were used for refinancing, working capital and other purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2015 Notes by the Authority and the making of loans under the Loan Agreements executed in connection with the Series 2015 Notes (the "2015 Loan Agreements") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017 in a single series (the "Series 2017 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2017 Notes, which were used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017 Notes by the Authority and the making of loans under the Loan Agreement executed in connection with the Series 2017 Notes (the "2017 Loan Agreement") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017B in a single series (the "Series 2017B Notes" and, together with the Series 2015 Notes, and the Series 2017 Notes, the "Notes").

WHEREAS, Grantor is a recipient and beneficiary of certain proceeds of the Series 2017B Notes, which will be used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017B Notes by the Authority and the making of a loan under the Loan Agreement between the Authority and the Grantor executed in connection with the Series 2017B Notes (the "2017B Loan Agreement" and, together with the 2015 Loan Agreements and the 2017 Loan Agreement, the "Loan Agreements") that Grantor amend the Existing Agreement so as to provide that the grant of the security interests and undertaking of obligations contemplated by the Existing Agreement extend to the loan under the 2017B Loan Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor hereby agrees with Note Trustee as follows:

1. Definitions

(a) As used herein, capitalized terms shall have the meanings given to them in the Loan Agreements, except as otherwise defined herein or as the context otherwise requires. The term "Note Documents" shall have the meaning set forth in the Second Amended and Restated Intercreditor Agreement, dated of even date herewith among the Corporation, the other Obligors (as defined therein) including the Grantor, Note Trustee and U.S. Bank National Association, as Master Trustee ("Master Trustee") under the Master Indenture of Trust, dated as of December 1, 2001 (as amended, supplemented or otherwise modified from time to time, the "Master Indenture"), by and among the Corporation, the Initial Members (as defined therein) and Master Trustee. The term "Accounts" shall have the meaning set forth in the Indentures, dated as of December 1, 2015, as amended by the First Amendment to Indentures, dated as of February 1, 2016, the Indenture, dated as of September 1, 2017, and the Indenture, dated as of December 1, 2017 (collectively, the "Indentures"), each between the Authority and the Note Trustee (and for convenience, attached on Schedule V hereto). The terms "15% Cap", "Indebtedness" and "Reference Year" shall have the meanings set forth in the Amended and Restated Supplemental Master Indenture Number 20, dated as of January 1, 2016, between the Corporation and the Master Trustee.

(b) Any term used in the Uniform Commercial Code as adopted in the State of California, as it may hereafter be amended ("UCC") and not defined in this Agreement has the meaning given to the term in the UCC.

2. Grant of Security

Grantor hereby assigns to Note Trustee, and hereby grants to Note Trustee a continuing, first priority security interest in, all of Grantor's right, title, and interest in and to the following property of Grantor, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (collectively, the "Collateral"):

(a) All Accounts;

(b) Certain bank accounts (the "Bank Accounts") and all amounts deposited therein that are subject to Deposit Account Control Agreements, including, without limitation, those Bank Accounts listed on Schedule II annexed hereto; and

(c) All products, Proceeds and replacements thereof;

provided, however, that if, following the grant of the foregoing security interest, the amount of Indebtedness secured by the Collateral exceeds the 15% Cap, as it may be revised subsequent to the date hereof due to a change in the Reference Year, (x) the security interest in the Collateral granted herein (pursuant to clause (m) of the definition of "Permitted Liens" in the Master Indenture) shall, without further action by the Obligated Group or any party secured hereby, secure only an amount of the Notes that does not exceed the amount of such revised 15% Cap and (y) if separate liens on Accounts are in effect at such time under clause (m) of the definition of "Permitted Indebtedness" of the Master Indenture, any such automatic reduction in the amount of Indebtedness so secured shall occur pro rata in accordance with the principal amount of such Indebtedness.

3. Security for Obligation

This Agreement secures, and the Collateral is collateral security for, the prompt payment and performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), of all obligations and liabilities of every nature of all Obligors now or hereafter existing under or arising out of or in connection with the Loan Agreements and the other Note Documents and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Grantor, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise (all such obligations and liabilities being the "Underlying Debt"), and all obligations of every nature of Grantor now or hereafter existing under this Agreement (all such obligations of Grantor, together with the Underlying Debt, being collectively referred to as the "Secured Obligations").

4. Grantor Remains Liable

Anything contained herein to the contrary notwithstanding, (a) Grantor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Note Trustee of any of its rights hereunder shall not release Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Note Trustee shall not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement, nor shall

Note Trustee be obligated to perform any of the obligations or duties of Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

5. Representations and Warranties

Grantor represents and warrants as follows:

(a) Ownership of Collateral

Grantor has rights in or the power to transfer the Collateral and except for the Liens permitted under the Loan Agreements and the Master Indenture and the security interest created by this Agreement, Grantor owns the Collateral free and clear of any Lien. Except with respect to the interests and financing statements disclosed in Schedule III annexed hereto and such as may have been filed in favor of Note Trustee relating to this Agreement, no financing statement or other instrument similar in effect covering all or any part of the Collateral or listing Grantor as a debtor is on file in any filing or recording office.

(b) State of Incorporation; Name of Grantor; Office Locations; Other Names

The state of incorporation, the exact legal name of Grantor, the chief place of business, the chief executive office and the office where Grantor keeps its books and records is, and has been for the four month period preceding the date hereof, indicated on Schedule IV annexed hereto and Grantor has not in the past done, and does not now do, business under any other name (including any trade-name or fictitious business name) except as set forth on Schedule IV annexed hereto.

(c) Other Information

All information heretofore, herein or hereafter supplied to Note Trustee by or on behalf of Grantor with respect to the Collateral in connection with this Agreement, the Loan Agreements or the other Note Documents is accurate and complete in all respects.

6. Further Assurances

(a) Grantor agrees that from time to time, at the sole expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Note Trustee to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Grantor will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Note Trustee may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (ii) at any reasonable time, upon request by Note Trustee, exhibit the Collateral to and allow inspection of the Collateral by Note Trustee, or persons designated by Note Trustee, and (iii) at Note Trustee's reasonable request, appear in and defend any action or proceeding that may affect Grantor's title to or Note Trustee's security interest in all or any part of the Collateral.

(b) Grantor hereby authorizes Note Trustee to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Grantor. Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

(c) Grantor will furnish to Note Trustee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Note Trustee may reasonably request, all in reasonable detail.

7. Certain Covenants of Grantor

Grantor shall:

(a) Not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(b) Change the state of its incorporation;

(c) Notify Note Trustee of any change in Grantor's name, identity or corporate structure at least 30 days prior to such change; and

(d) Give Note Trustee 30 days' prior written notice of any change in Grantor's chief place of business, chief executive office or residence or the office where Grantor keeps its records.

8. Special Covenants With Respect to Accounts

(a) Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Accounts, and all originals of all chattel paper that evidence Accounts, at the location therefor specified in Section 5 or, upon 30 days' prior written notice to Note Trustee, at such other location in a jurisdiction where all action that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Note Trustee to exercise and enforce its rights and remedies hereunder, with respect to such Accounts. Grantor will hold and preserve such records and chattel paper and will permit representatives of Note Trustee at any time during normal business hours upon reasonable advance notice to inspect and make abstracts from such records and chattel paper, and Grantor agrees to render to Note Trustee, at Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto.

(b) Except as otherwise provided in this subsection (b), Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor under the Accounts. In connection with such collections, Grantor may take (and, at Note Trustee's direction following the occurrence and during the continuation of an Event of Default, shall take) such actions as Note Trustee may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Note Trustee shall have the right at any

time, upon the occurrence and during the continuation of an Event of Default, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Note Trustee and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee, to notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee and, upon such notification and at the sole expense of Grantor, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor might have done. Immediately upon receipt by Grantor of the notice from Note Trustee referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including checks and other instruments) received by Grantor in respect of the Accounts shall be received in trust for the benefit of Note Trustee hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over or delivered to Note Trustee in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 14, and (ii) Grantor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon, except as otherwise directed by Note Trustee.

(c) Grantor shall not change its instructions with respect to the Governmental Accounts identified on Schedule II such that the disposition of funds in these accounts is directed to be transferred to accounts other than (a) the Bank Accounts subject to Deposit Control Agreements identified on Schedule II or (b) to other bank accounts subject to deposit control agreements acceptable to Note Trustee and Master Trustee.

9. Transfers and Other Liens

Note Trustee does not authorize and Grantor agrees not to:

(a) (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as expressly permitted by the Loan Agreements or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the security interest under this Agreement; or

(b) create or suffer to exist any Lien upon or with respect to any of the Collateral to secure the indebtedness or other obligations of any Person, except for the lien of the Master Trustee on Gross Revenues which includes the Receivables (which is subordinate in all respects to Note Trustee's Lien under this Agreement) and any other interests disclosed in Schedule III annexed hereto and the security interest created by this Agreement and Liens permitted under the Loan Agreements.

10. Default

The occurrence of any of the following events shall constitute an Event of Default hereunder:

(a) Covenants. Grantor shall fail to observe or perform any covenant or agreement contained herein.

(b) Other Defaults. An event of default occurs under any of the Note Documents.

(c) Cross- Defaults. An event of default occurs under the Master Indenture.

11. Note Trustee Appointed Attorney-in-Fact

Grantor hereby irrevocably appoints Note Trustee as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, Note Trustee or otherwise, from time to time in Note Trustee's discretion to take any action and to execute any instrument that Note Trustee may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation:

(a) Upon the occurrence and during the continuation of an Event of Default, to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) To receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) and, upon the occurrence and during the continuation of an Event of Default, (c) below;

(c) Upon the occurrence and during the continuation of an Event of Default, to file any claims or take any action or institute any proceedings that Note Trustee may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Note Trustee with respect to any of the Collateral;

(d) To pay or discharge taxes or Liens (other than Liens permitted under this Agreement, the Loan Agreements or the Master Indenture) levied or placed upon the Collateral, the legality or validity of such taxes or Liens and the amounts necessary to discharge the same to be determined by Note Trustee in its sole discretion, any such payments made by Note Trustee to become obligations of Grantor to Note Trustee, due and payable immediately without demand; and

(e) Upon the occurrence and during the continuation of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect, to or otherwise deal with any of the Collateral as fully and completely as though Note Trustee were the absolute owner thereof for all purposes, and to do, at Note Trustee's option and Grantor's expense, at any time or from time to time, all acts and things that Note Trustee deems necessary to protect, preserve or realize upon the Collateral and Note Trustee's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as Grantor might do.

12. Note Trustee May Perform

If Grantor fails to perform any agreement contained herein, Note Trustee may itself perform, or cause performance of, such agreement, and the reasonable expenses of Note Trustee incurred in connection therewith shall be payable by Grantor under Section 14.

13. Standard of Care

The powers conferred on Note Trustee hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Note Trustee shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Note Trustee shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Note Trustee accords its own property.

14. Remedies

If any Event of Default shall have occurred and be continuing, Note Trustee may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it (including, without limitation, sending a notice of activation under any Deposit Account Control Agreement), all the rights and remedies of a secured party in default under the UCC (whether or not the UCC applies to the affected Collateral), and also may (a) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Note Trustee forthwith, assemble all or part of the Collateral as directed by Note Trustee and make it available to Note Trustee at a place to be designated by Note Trustee that is reasonably convenient to both parties, (b) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Note Trustee deems appropriate, and (c) collect proceeds of Collateral. All costs and expenses of Note Trustee and any persons hired by Note Trustee in preserving, protecting or enforcing Note Trustee's rights under this Agreement or against the Collateral shall be reimbursed immediately by Grantor and added to and be part of the Secured Obligations.

15. Application of Proceeds

All proceeds received by Note Trustee shall be applied to the Secured Obligations on a pro rata basis.

16. Continuing Security Interest

(a) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the indefeasible payment in full of the Secured Obligations and the cancellation or termination of the Notes, (ii) be binding upon Grantor, its successors and assigns, and shall bind all Persons who become bound as a debtor to this Agreement, and (iii) inure, together with the rights and remedies of Note Trustee hereunder, to the benefit of Note Trustee and its successors, transferees and assigns. Subject to subsection (b) below, upon the payment in full of all Secured Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Grantor. Upon any such termination Note Trustee will, at Grantor's sole expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

(b) In the event that all or any portion of the Secured Obligations are paid, the obligations of Grantor hereunder shall continue and remain in full force and effect or be

reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Secured Obligations for all purposes of this Agreement.

17. Amendments, Etc.

(a) No amendment or waiver of any provision of this Agreement, or consent to any departure by herefrom, shall in any event be effective unless the same shall be in writing and signed by the party against which it is sought to be enforced, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

18. Notices

Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, telexed or sent by United States mail or courier service and shall be deemed to have been given when a record has been delivered in person or by courier service, upon receipt of telecopy or telex, or four Business Days after depositing it in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

19. Failure or Indulgence Not Waiver; Remedies Cumulative

No failure or delay on the part of Note Trustee in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

20. Severability

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

21. Headings

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

22. Governing Law; Terms

THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES FOR THE APPLICATION OF THE LAW OF THE STATE OF GRANTOR'S INCORPORATION.

23. Consent to Jurisdiction and Service of Process

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST GRANTOR ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT GRANTOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. Grantor hereby agrees that service of process sufficient for personal jurisdiction in any action against Grantor in the State of California may be made by registered or certified mail, return receipt requested, to Grantor pursuant to Section 18, and Grantor hereby acknowledges that such service shall be effective and binding in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of Grantor or Note Trustee to bring proceedings in the courts of any other jurisdiction, or object thereto.

24. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, Grantor and Note Trustee have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SAINT LOUISE REGIONAL HOSPITAL, as Grantor

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of Saint Louise Regional Hospital

By: _____
Name: Ty Conner
Title: Vice President and Treasurer

Notice Address:

Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, CA 94065
Attn: Treasurer

with copies to:

Squire Patton Boggs
275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

U.S. BANK NATIONAL ASSOCIATION, as Note Trustee

By _____
Julia Hommel, Vice President

Notice Address:

633 West Fifth. Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

IN WITNESS WHEREOF, Grantor and Note Trustee have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SAINT LOUISE REGIONAL HOSPITAL, as Grantor

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of Saint Louise Regional Hospital

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Julia Hommel, Vice President

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with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

SCHEDULE I
to Second Amended and Restated Security Agreement

LOAN AGREEMENTS FOR SERIES 2015 NOTES

1.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $60,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015A, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

2.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015B, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

3.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $10,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015C (Federally Taxable), as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

4.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015D, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

LOAN AGREEMENT FOR SERIES 2017 NOTES

5.) Loan Agreement, dated as of September 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017

LOAN AGREEMENT FOR SERIES 2017B NOTES

6.) Loan Agreement, dated as of December 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017B

SCHEDULE II
to Second Amended and Restated Security Agreement

BANK ACCOUNTS

DEPOSIT ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
Saint Louise Regional Hospital	Bank of America, N.A.	Deposit Account No. 1499783XXX

GOVERNMENT RECEIVABLES ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
Saint Louise Regional Hospital	Bank of America, N.A.	Deposit Account No. 14990-02XXX

SCHEDULE III
to Second Amended and Restated Security Agreement

LIENS AND ENCUMBRANCES OF GRANTOR

Lien on Gross Revenues Pledged to the Master Trustee pursuant to the Master Indenture.

See attached List of UCC Financing Statements.

SCHEDULE IV
to Second Amended and Restated Security Agreement

STATE OF INCORPORATION; NAME OF GRANTOR; OFFICE LOCATIONS; OTHER NAMES

SCHEDULE V

Definition of "Accounts"

""Accounts" means collectively, (a) any right to payment of a monetary obligation whether or not earned by performance, that relates to or arises out of any services provided or goods rendered by an Obligated Group Member (including, without limitation, payments made by or through a governmental authority to an individual patient assigned to such Member), (b) without duplication, any 'account' (as defined in the UCC), any accounts receivable, whether in the form of payments for services rendered or goods sold, rents, license fees or otherwise), any Health-Care-Insurance Receivables (as defined in the UCC) and any Payment Intangibles (as defined in the UCC), (c) all General Intangibles (as defined in the UCC), Intellectual Property (as defined in the UCC), rights, remedies, guarantees, supporting obligations and letter of credit rights relating to or arising out of the foregoing assets described in clauses (a) and (b), (d) all information and data compiled or derived by any Member or to which any Member is entitled in respect of or related to the foregoing assets described in clauses (a) and (b) and (e) and all proceeds of any of the foregoing."

EXHIBIT C

SECOND AMENDED AND RESTATED SECURITY AGREEMENT

This Second Amended and Restated Security Agreement (this "Agreement") is dated as of December 1, 2017, and amends and restates the Amended and Restated Security Agreement (the "Existing Agreement"), dated as of September 1, 2017 by and between ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation ("Grantor"), and U.S. BANK NATIONAL ASSOCIATION, as trustee ("Note Trustee"), as assignee under the Loan Agreements described on Schedule I annexed hereto and as may hereafter be amended, supplemented or otherwise modified from time to time, each between the California Public Finance Authority (the "Authority") and Verity Health System of California, Inc. (the "Corporation"), executed in connection with the issuance of notes by the Authority (collectively, the "Notes").

WITNESSETH:

WHEREAS, at the request of the Corporation, the Authority issued $160,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2015 in four separate series (collectively, the "Series 2015 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2015 Notes, which were used for refinancing, working capital and other purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2015 Notes by the Authority and the making of loans under the Loan Agreements executed in connection with the Series 2015 Notes (the "2015 Loan Agreements") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017 in a single series (the "Series 2017 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2017 Notes, which were used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017 Notes by the Authority and the making of loans under the Loan Agreement executed in connection with the Series 2017 Notes (the "2017 Loan Agreement") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017B in a single series (the "Series 2017B Notes" and, together with the Series 2015 Notes, and the Series 2017 Notes, the "Notes").

WHEREAS, Grantor is a recipient and beneficiary of certain proceeds of the Series 2017B Notes, which will be used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017B Notes by the Authority and the making of a loan under the Loan Agreement between the Authority and the Grantor executed in connection with the Series 2017B Notes (the "2017B Loan Agreement" and, together with the 2015 Loan Agreements and the 2017 Loan Agreement, the "Loan Agreements") that Grantor amend the Existing Agreement so as to provide that the grant of the security interests and undertaking of obligations contemplated by the Existing Agreement extend to the loan under the 2017B Loan Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor hereby agrees with Note Trustee as follows:

1. Definitions

(a) As used herein, capitalized terms shall have the meanings given to them in the Loan Agreements, except as otherwise defined herein or as the context otherwise requires. The term "Note Documents" shall have the meaning set forth in the Second Amended and Restated Intercreditor Agreement, dated of even date herewith among the Corporation, the other Obligors (as defined therein) including the Grantor, Note Trustee and U.S. Bank National Association, as Master Trustee ("Master Trustee") under the Master Indenture of Trust, dated as of December 1, 2001 (as amended, supplemented or otherwise modified from time to time, the "Master Indenture"), by and among the Corporation, the Initial Members (as defined therein) and Master Trustee. The term "Accounts" shall have the meaning set forth in the Indentures, dated as of December 1, 2015, as amended by the First Amendment to Indentures, dated as of February 1, 2016, the Indenture, dated as of September 1, 2017 and the Indenture, dated as of December 1, 2017 (collectively, the "Indentures"), each between the Authority and the Note Trustee (and for convenience, attached on Schedule V hereto). The terms "15% Cap", "Indebtedness" and "Reference Year" shall have the meanings set forth in the Amended and Restated Supplemental Master Indenture Number 20, dated as of January 1, 2016, between the Corporation and the Master Trustee.

(b) Any term used in the Uniform Commercial Code as adopted in the State of California, as it may hereafter be amended ("UCC") and not defined in this Agreement has the meaning given to the term in the UCC.

2. Grant of Security

Grantor hereby assigns to Note Trustee, and hereby grants to Note Trustee a continuing, first priority security interest in, all of Grantor's right, title, and interest in and to the following property of Grantor, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (collectively, the "Collateral"):

(a) All Accounts;

(b) Certain bank accounts (the "Bank Accounts") and all amounts deposited therein that are subject to Deposit Account Control Agreements, including, without limitation, those Bank Accounts listed on Schedule II annexed hereto; and

(c) All products, Proceeds and replacements thereof;

provided, however, that if, following the grant of the foregoing security interest, the amount of Indebtedness secured by the Collateral exceeds the 15% Cap, as it may be revised subsequent to the date hereof due to a change in the Reference Year, (x) the security interest in the Collateral granted herein (pursuant to clause (m) of the definition of "Permitted Liens" in the Master Indenture) shall, without further action by the Obligated Group or any party secured hereby, secure only an amount of the Notes that does not exceed the amount of such revised 15% Cap and (y) if separate liens on Accounts are in effect at such time under clause (m) of the definition of "Permitted Indebtedness" of the Master Indenture, any such automatic reduction in the amount of Indebtedness so secured shall occur pro rata in accordance with the principal amount of such Indebtedness.

3. Security for Obligation

This Agreement secures, and the Collateral is collateral security for, the prompt payment and performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), of all obligations and liabilities of every nature of all Obligors now or hereafter existing under or arising out of or in connection with the Loan Agreements and the other Note Documents and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Grantor, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise (all such obligations and liabilities being the "Underlying Debt"), and all obligations of every nature of Grantor now or hereafter existing under this Agreement (all such obligations of Grantor, together with the Underlying Debt, being collectively referred to as the "Secured Obligations").

4. Grantor Remains Liable

Anything contained herein to the contrary notwithstanding, (a) Grantor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Note Trustee of any of its rights hereunder shall not release Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Note Trustee shall not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement, nor shall

Note Trustee be obligated to perform any of the obligations or duties of Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

5. Representations and Warranties

Grantor represents and warrants as follows:

(a) Ownership of Collateral

Grantor has rights in or the power to transfer the Collateral and except for the Liens permitted under the Loan Agreements and the Master Indenture and the security interest created by this Agreement, Grantor owns the Collateral free and clear of any Lien. Except with respect to the interests and financing statements disclosed in Schedule III annexed hereto and such as may have been filed in favor of Note Trustee relating to this Agreement, no financing statement or other instrument similar in effect covering all or any part of the Collateral or listing Grantor as a debtor is on file in any filing or recording office.

(b) State of Incorporation; Name of Grantor; Office Locations; Other Names

The state of incorporation, the exact legal name of Grantor, the chief place of business, the chief executive office and the office where Grantor keeps its books and records is, and has been for the four month period preceding the date hereof, indicated on Schedule IV annexed hereto and Grantor has not in the past done, and does not now do, business under any other name (including any trade-name or fictitious business name) except as set forth on Schedule IV annexed hereto.

(c) Other Information

All information heretofore, herein or hereafter supplied to Note Trustee by or on behalf of Grantor with respect to the Collateral in connection with this Agreement, the Loan Agreements or the other Note Documents is accurate and complete in all respects.

6. Further Assurances

(a) Grantor agrees that from time to time, at the sole expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Note Trustee to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Grantor will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Note Trustee may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (ii) at any reasonable time, upon request by Note Trustee, exhibit the Collateral to and allow inspection of the Collateral by Note Trustee, or persons designated by Note Trustee, and (iii) at Note Trustee's reasonable request, appear in and defend any action or proceeding that may affect Grantor's title to or Note Trustee's security interest in all or any part of the Collateral.

(b) Grantor hereby authorizes Note Trustee to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Grantor. Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

(c) Grantor will furnish to Note Trustee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Note Trustee may reasonably request, all in reasonable detail.

7. Certain Covenants of Grantor

Grantor shall:

(a) Not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(b) Change the state of its incorporation;

(c) Notify Note Trustee of any change in Grantor's name, identity or corporate structure at least 30 days prior to such change; and

(d) Give Note Trustee 30 days' prior written notice of any change in Grantor's chief place of business, chief executive office or residence or the office where Grantor keeps its records.

8. Special Covenants With Respect to Accounts

(a) Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Accounts, and all originals of all chattel paper that evidence Accounts, at the location therefor specified in Section 5 or, upon 30 days' prior written notice to Note Trustee, at such other location in a jurisdiction where all action that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Note Trustee to exercise and enforce its rights and remedies hereunder, with respect to such Accounts. Grantor will hold and preserve such records and chattel paper and will permit representatives of Note Trustee at any time during normal business hours upon reasonable advance notice to inspect and make abstracts from such records and chattel paper, and Grantor agrees to render to Note Trustee, at Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto.

(b) Except as otherwise provided in this subsection (b), Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor under the Accounts. In connection with such collections, Grantor may take (and, at Note Trustee's direction following the occurrence and during the continuation of an Event of Default, shall take) such actions as Note Trustee may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Note Trustee shall have the right at any

time, upon the occurrence and during the continuation of an Event of Default, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Note Trustee and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee, to notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee and, upon such notification and at the sole expense of Grantor, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor might have done. Immediately upon receipt by Grantor of the notice from Note Trustee referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including checks and other instruments) received by Grantor in respect of the Accounts shall be received in trust for the benefit of Note Trustee hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over or delivered to Note Trustee in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 14, and (ii) Grantor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon, except as otherwise directed by Note Trustee.

(c) Grantor shall not change its instructions with respect to the Governmental Accounts identified on Schedule II such that the disposition of funds in these accounts is directed to be transferred to accounts other than (a) the Bank Accounts subject to Deposit Control Agreements identified on Schedule II or (b) to other bank accounts subject to deposit control agreements acceptable to Note Trustee and Master Trustee.

9. Transfers and Other Liens

Note Trustee does not authorize and Grantor agrees not to:

(a) (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as expressly permitted by the Loan Agreements or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the security interest under this Agreement; or

(b) create or suffer to exist any Lien upon or with respect to any of the Collateral to secure the indebtedness or other obligations of any Person, except for the lien of the Master Trustee on Gross Revenues which includes the Receivables (which is subordinate in all respects to Note Trustee's Lien under this Agreement) and any other interests disclosed in Schedule III annexed hereto and the security interest created by this Agreement and Liens permitted under the Loan Agreements.

10. Default

The occurrence of any of the following events shall constitute an Event of Default hereunder:

(a) Covenants. Grantor shall fail to observe or perform any covenant or agreement contained herein.

(b) Other Defaults. An event of default occurs under any of the Note Documents.

(c) Cross- Defaults. An event of default occurs under the Master Indenture.

11. Note Trustee Appointed Attorney-in-Fact

Grantor hereby irrevocably appoints Note Trustee as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, Note Trustee or otherwise, from time to time in Note Trustee's discretion to take any action and to execute any instrument that Note Trustee may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation:

(a) Upon the occurrence and during the continuation of an Event of Default, to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) To receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) and, upon the occurrence and during the continuation of an Event of Default, (c) below;

(c) Upon the occurrence and during the continuation of an Event of Default, to file any claims or take any action or institute any proceedings that Note Trustee may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Note Trustee with respect to any of the Collateral;

(d) To pay or discharge taxes or Liens (other than Liens permitted under this Agreement, the Loan Agreements or the Master Indenture) levied or placed upon the Collateral, the legality or validity of such taxes or Liens and the amounts necessary to discharge the same to be determined by Note Trustee in its sole discretion, any such payments made by Note Trustee to become obligations of Grantor to Note Trustee, due and payable immediately without demand; and

(e) Upon the occurrence and during the continuation of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect, to or otherwise deal with any of the Collateral as fully and completely as though Note Trustee were the absolute owner thereof for all purposes, and to do, at Note Trustee's option and Grantor's expense, at any time or from time to time, all acts and things that Note Trustee deems necessary to protect, preserve or realize upon the Collateral and Note Trustee's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as Grantor might do.

12. Note Trustee May Perform

If Grantor fails to perform any agreement contained herein, Note Trustee may itself perform, or cause performance of, such agreement, and the reasonable expenses of Note Trustee incurred in connection therewith shall be payable by Grantor under Section 14.

13. Standard of Care

The powers conferred on Note Trustee hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Note Trustee shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Note Trustee shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Note Trustee accords its own property.

14. Remedies

If any Event of Default shall have occurred and be continuing, Note Trustee may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it (including, without limitation, sending a notice of activation under any Deposit Account Control Agreement), all the rights and remedies of a secured party in default under the UCC (whether or not the UCC applies to the affected Collateral), and also may (a) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Note Trustee forthwith, assemble all or part of the Collateral as directed by Note Trustee and make it available to Note Trustee at a place to be designated by Note Trustee that is reasonably convenient to both parties, (b) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Note Trustee deems appropriate, and (c) collect proceeds of Collateral. All costs and expenses of Note Trustee and any persons hired by Note Trustee in preserving, protecting or enforcing Note Trustee's rights under this Agreement or against the Collateral shall be reimbursed immediately by Grantor and added to and be part of the Secured Obligations.

15. Application of Proceeds

All proceeds received by Note Trustee shall be applied to the Secured Obligations on a pro rata basis.

16. Continuing Security Interest

(a) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the indefeasible payment in full of the Secured Obligations and the cancellation or termination of the Notes, (ii) be binding upon Grantor, its successors and assigns, and shall bind all Persons who become bound as a debtor to this Agreement, and (iii) inure, together with the rights and remedies of Note Trustee hereunder, to the benefit of Note Trustee and its successors, transferees and assigns. Subject to subsection (b) below, upon the payment in full of all Secured Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Grantor. Upon any such termination Note Trustee will, at Grantor's sole expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

(b) In the event that all or any portion of the Secured Obligations are paid, the obligations of Grantor hereunder shall continue and remain in full force and effect or be

reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Secured Obligations for all purposes of this Agreement.

17. Amendments, Etc.

(a) No amendment or waiver of any provision of this Agreement, or consent to any departure by herefrom, shall in any event be effective unless the same shall be in writing and signed by the party against which it is sought to be enforced, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

18. Notices

Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, telexed or sent by United States mail or courier service and shall be deemed to have been given when a record has been delivered in person or by courier service, upon receipt of telecopy or telex, or four Business Days after depositing it in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

19. Failure or Indulgence Not Waiver; Remedies Cumulative

No failure or delay on the part of Note Trustee in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

20. Severability

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

21. Headings

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

22. Governing Law; Terms

THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES FOR THE APPLICATION OF THE LAW OF THE STATE OF GRANTOR'S INCORPORATION.

23. Consent to Jurisdiction and Service of Process

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST GRANTOR ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT GRANTOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. Grantor hereby agrees that service of process sufficient for personal jurisdiction in any action against Grantor in the State of California may be made by registered or certified mail, return receipt requested, to Grantor pursuant to Section 18, and Grantor hereby acknowledges that such service shall be effective and binding in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of Grantor or Note Trustee to bring proceedings in the courts of any other jurisdiction, or object thereto.

24. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, Grantor and Note Trustee have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

ST. FRANCIS MEDICAL CENTER, as Grantor

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of St. Francis Medical Center

By: _____
Name: Ty Conner
Title: Vice President and Treasurer

Notice Address:

Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, CA 94065
Attn: Treasurer

with copies to:

Squire Patton Boggs
275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

U.S. BANK NATIONAL ASSOCIATION, as Note Trustee

By _____
Julia Hommel, Vice President

Notice Address:

633 West Fifth. Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

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Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

(Signature Page to Amended and Restated Security Agreement)

SCHEDULE I
to Second Amended and Restated Security Agreement

LOAN AGREEMENTS FOR SERIES 2015 NOTES

1.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $60,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015A, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

2.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015B, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

3.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $10,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015C (Federally Taxable), as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

4.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015D, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

LOAN AGREEMENT FOR SERIES 2017 NOTES

5.) Loan Agreement, dated as of September 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017

LOAN AGREEMENT FOR SERIES 2017B NOTES

6.) Loan Agreement, dated as of December 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017B

SCHEDULE II
to Second Amended and Restated Security Agreement

BANK ACCOUNTS

DEPOSIT ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
St. Francis Medical Center	Bank of America, N.A.	Deposit Account No. 1499783XXX

GOVERNMENT RECEIVABLES ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
St. Francis Medical Center	Bank of America, N.A.	Deposit Account No. 14990-02XXX

SCHEDULE III
to Second Amended and Restated Security Agreement

LIENS AND ENCUMBRANCES OF GRANTOR

Lien on Gross Revenues Pledged to the Master Trustee pursuant to the Master Indenture.

See attached List of UCC Financing Statements.

SCHEDULE IV
to Second Amended and Restated Security Agreement

STATE OF INCORPORATION; NAME OF GRANTOR; OFFICE LOCATIONS; OTHER NAMES

SCHEDULE V

Definition of "Accounts"

""Accounts" means collectively, (a) any right to payment of a monetary obligation whether or not earned by performance, that relates to or arises out of any services provided or goods rendered by an Obligated Group Member (including, without limitation, payments made by or through a governmental authority to an individual patient assigned to such Member), (b) without duplication, any 'account' (as defined in the UCC), any accounts receivable, whether in the form of payments for services rendered or goods sold, rents, license fees or otherwise), any Health-Care-Insurance Receivables (as defined in the UCC) and any Payment Intangibles (as defined in the UCC), (c) all General Intangibles (as defined in the UCC), Intellectual Property (as defined in the UCC), rights, remedies, guarantees, supporting obligations and letter of credit rights relating to or arising out of the foregoing assets described in clauses (a) and (b), (d) all information and data compiled or derived by any Member or to which any Member is entitled in respect of or related to the foregoing assets described in clauses (a) and (b) and (e) and all proceeds of any of the foregoing."

EXHIBIT D

SECOND AMENDED AND RESTATED SECURITY AGREEMENT

This Second Amended and Restated Security Agreement (this "Agreement") is dated as of December 1, 2017, and amends and restates the Amended and Restated Security Agreement (the "Existing Agreement"), dated as of September 1, 2017 by and between O'CONNOR HOSPITAL, a California nonprofit public benefit corporation ("Grantor"), and U.S. BANK NATIONAL ASSOCIATION, as trustee ("Note Trustee"), as assignee under the Loan Agreements described on Schedule I annexed hereto and as may hereafter be amended, supplemented or otherwise modified from time to time, each between the California Public Finance Authority (the "Authority") and Verity Health System of California, Inc. (the "Corporation"), executed in connection with the issuance of notes by the Authority (collectively, the "Notes").

WITNESSETH:

WHEREAS, at the request of the Corporation, the Authority issued $160,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2015 in four separate series (collectively, the "Series 2015 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2015 Notes, which were used for refinancing, working capital and other purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2015 Notes by the Authority and the making of loans under the Loan Agreements executed in connection with the Series 2015 Notes (the "2015 Loan Agreements") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017 in a single series (the "Series 2017 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2017 Notes, which were used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017 Notes by the Authority and the making of loans under the Loan Agreement executed in connection with the Series 2017 Notes (the "2017 Loan Agreement") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017B in a single series (the "Series 2017B Notes" and, together with the Series 2015 Notes, and the Series 2017 Notes, the "Notes").

WHEREAS, Grantor is a recipient and beneficiary of certain proceeds of the Series 2017B Notes, which will be used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017B Notes by the Authority and the making of a loan under the Loan Agreement between the Authority and the Grantor executed in connection with the Series 2017B Notes (the "2017B Loan Agreement" and, together with the 2015 Loan Agreements and the 2017 Loan Agreement, the "Loan Agreements") that Grantor amend the Existing Agreement so as to provide that the grant of the security interests and undertaking of obligations contemplated by the Existing Agreement extend to the loan under the 2017B Loan Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor hereby agrees with Note Trustee as follows:

1. Definitions

(a) As used herein, capitalized terms shall have the meanings given to them in the Loan Agreements, except as otherwise defined herein or as the context otherwise requires. The term "Note Documents" shall have the meaning set forth in the Second Amended and Restated Intercreditor Agreement, dated of even date herewith among the Corporation, the other Obligors (as defined therein) including the Grantor, Note Trustee and U.S. Bank National Association, as Master Trustee ("Master Trustee") under the Master Indenture of Trust, dated as of December 1, 2001 (as amended, supplemented or otherwise modified from time to time, the "Master Indenture"), by and among the Corporation, the Initial Members (as defined therein) and Master Trustee. The term "Accounts" shall have the meaning set forth in the Indentures, dated as of December 1, 2015, as amended by the First Amendment to Indentures, dated as of February 1, 2016, the Indenture, dated as of September 1, 2017 and the Indenture, dated as of December 1, 2017 (collectively, the "Indentures"), each between the Authority and the Note Trustee (and for convenience, attached on Schedule V hereto). The terms "15% Cap", "Indebtedness" and "Reference Year" shall have the meanings set forth in the Amended and Restated Supplemental Master Indenture Number 20, dated as of January 1, 2016, between the Corporation and the Master Trustee.

(b) Any term used in the Uniform Commercial Code as adopted in the State of California, as it may hereafter be amended ("UCC") and not defined in this Agreement has the meaning given to the term in the UCC.

2. Grant of Security

Grantor hereby assigns to Note Trustee, and hereby grants to Note Trustee a continuing, first priority security interest in, all of Grantor's right, title, and interest in and to the following property of Grantor, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (collectively, the "Collateral"):

(a) All Accounts;

(b) Certain bank accounts (the "Bank Accounts") and all amounts deposited therein that are subject to Deposit Account Control Agreements, including, without limitation, those Bank Accounts listed on Schedule II annexed hereto; and

(c) All products, Proceeds and replacements thereof;

provided, however, that if, following the grant of the foregoing security interest, the amount of Indebtedness secured by the Collateral exceeds the 15% Cap, as it may be revised subsequent to the date hereof due to a change in the Reference Year, (x) the security interest in the Collateral granted herein (pursuant to clause (m) of the definition of "Permitted Liens" in the Master Indenture) shall, without further action by the Obligated Group or any party secured hereby, secure only an amount of the Notes that does not exceed the amount of such revised 15% Cap and (y) if separate liens on Accounts are in effect at such time under clause (m) of the definition of "Permitted Indebtedness" of the Master Indenture, any such automatic reduction in the amount of Indebtedness so secured shall occur pro rata in accordance with the principal amount of such Indebtedness.

3. Security for Obligation

This Agreement secures, and the Collateral is collateral security for, the prompt payment and performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), of all obligations and liabilities of every nature of all Obligors now or hereafter existing under or arising out of or in connection with the Loan Agreements and the other Note Documents and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Grantor, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise (all such obligations and liabilities being the "Underlying Debt"), and all obligations of every nature of Grantor now or hereafter existing under this Agreement (all such obligations of Grantor, together with the Underlying Debt, being collectively referred to as the "Secured Obligations").

4. Grantor Remains Liable

Anything contained herein to the contrary notwithstanding, (a) Grantor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Note Trustee of any of its rights hereunder shall not release Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Note Trustee shall not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement, nor shall

Note Trustee be obligated to perform any of the obligations or duties of Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

5. Representations and Warranties

Grantor represents and warrants as follows:

(a) Ownership of Collateral

Grantor has rights in or the power to transfer the Collateral and except for the Liens permitted under the Loan Agreements and the Master Indenture and the security interest created by this Agreement, Grantor owns the Collateral free and clear of any Lien. Except with respect to the interests and financing statements disclosed in Schedule III annexed hereto and such as may have been filed in favor of Note Trustee relating to this Agreement, no financing statement or other instrument similar in effect covering all or any part of the Collateral or listing Grantor as a debtor is on file in any filing or recording office.

(b) State of Incorporation; Name of Grantor; Office Locations; Other Names

The state of incorporation, the exact legal name of Grantor, the chief place of business, the chief executive office and the office where Grantor keeps its books and records is, and has been for the four month period preceding the date hereof, indicated on Schedule IV annexed hereto and Grantor has not in the past done, and does not now do, business under any other name (including any trade-name or fictitious business name) except as set forth on Schedule IV annexed hereto.

(c) Other Information

All information heretofore, herein or hereafter supplied to Note Trustee by or on behalf of Grantor with respect to the Collateral in connection with this Agreement, the Loan Agreements or the other Note Documents is accurate and complete in all respects.

6. Further Assurances

(a) Grantor agrees that from time to time, at the sole expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Note Trustee to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Grantor will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Note Trustee may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (ii) at any reasonable time, upon request by Note Trustee, exhibit the Collateral to and allow inspection of the Collateral by Note Trustee, or persons designated by Note Trustee, and (iii) at Note Trustee's reasonable request, appear in and defend any action or proceeding that may affect Grantor's title to or Note Trustee's security interest in all or any part of the Collateral.

(b) Grantor hereby authorizes Note Trustee to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Grantor. Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

(c) Grantor will furnish to Note Trustee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Note Trustee may reasonably request, all in reasonable detail.

7. Certain Covenants of Grantor

Grantor shall:

(a) Not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(b) Change the state of its incorporation;

(c) Notify Note Trustee of any change in Grantor's name, identity or corporate structure at least 30 days prior to such change; and

(d) Give Note Trustee 30 days' prior written notice of any change in Grantor's chief place of business, chief executive office or residence or the office where Grantor keeps its records.

8. Special Covenants With Respect to Accounts

(a) Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Accounts, and all originals of all chattel paper that evidence Accounts, at the location therefor specified in Section 5 or, upon 30 days' prior written notice to Note Trustee, at such other location in a jurisdiction where all action that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Note Trustee to exercise and enforce its rights and remedies hereunder, with respect to such Accounts. Grantor will hold and preserve such records and chattel paper and will permit representatives of Note Trustee at any time during normal business hours upon reasonable advance notice to inspect and make abstracts from such records and chattel paper, and Grantor agrees to render to Note Trustee, at Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto.

(b) Except as otherwise provided in this subsection (b), Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor under the Accounts. In connection with such collections, Grantor may take (and, at Note Trustee's direction following the occurrence and during the continuation of an Event of Default, shall take) such actions as Note Trustee may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Note Trustee shall have the right at any

time, upon the occurrence and during the continuation of an Event of Default, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Note Trustee and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee, to notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee and, upon such notification and at the sole expense of Grantor, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor might have done. Immediately upon receipt by Grantor of the notice from Note Trustee referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including checks and other instruments) received by Grantor in respect of the Accounts shall be received in trust for the benefit of Note Trustee hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over or delivered to Note Trustee in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 14, and (ii) Grantor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon, except as otherwise directed by Note Trustee.

(c) Grantor shall not change its instructions with respect to the Governmental Accounts identified on Schedule II such that the disposition of funds in these accounts is directed to be transferred to accounts other than (a) the Bank Accounts subject to Deposit Control Agreements identified on Schedule II or (b) to other bank accounts subject to deposit control agreements acceptable to Note Trustee and Master Trustee.

9. Transfers and Other Liens

Note Trustee does not authorize and Grantor agrees not to:

(a) (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as expressly permitted by the Loan Agreements or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the security interest under this Agreement; or

(b) create or suffer to exist any Lien upon or with respect to any of the Collateral to secure the indebtedness or other obligations of any Person, except for the lien of the Master Trustee on Gross Revenues which includes the Receivables (which is subordinate in all respects to Note Trustee's Lien under this Agreement) and any other interests disclosed in Schedule III annexed hereto and the security interest created by this Agreement and Liens permitted under the Loan Agreements.

10. Default

The occurrence of any of the following events shall constitute an Event of Default hereunder:

(a) Covenants. Grantor shall fail to observe or perform any covenant or agreement contained herein.

(b) Other Defaults. An event of default occurs under any of the Note Documents.

(c) Cross- Defaults. An event of default occurs under the Master Indenture.

11. Note Trustee Appointed Attorney-in-Fact

Grantor hereby irrevocably appoints Note Trustee as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, Note Trustee or otherwise, from time to time in Note Trustee's discretion to take any action and to execute any instrument that Note Trustee may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation:

(a) Upon the occurrence and during the continuation of an Event of Default, to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) To receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) and, upon the occurrence and during the continuation of an Event of Default, (c) below;

(c) Upon the occurrence and during the continuation of an Event of Default, to file any claims or take any action or institute any proceedings that Note Trustee may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Note Trustee with respect to any of the Collateral;

(d) To pay or discharge taxes or Liens (other than Liens permitted under this Agreement, the Loan Agreements or the Master Indenture) levied or placed upon the Collateral, the legality or validity of such taxes or Liens and the amounts necessary to discharge the same to be determined by Note Trustee in its sole discretion, any such payments made by Note Trustee to become obligations of Grantor to Note Trustee, due and payable immediately without demand; and

(e) Upon the occurrence and during the continuation of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect, to or otherwise deal with any of the Collateral as fully and completely as though Note Trustee were the absolute owner thereof for all purposes, and to do, at Note Trustee's option and Grantor's expense, at any time or from time to time, all acts and things that Note Trustee deems necessary to protect, preserve or realize upon the Collateral and Note Trustee's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as Grantor might do.

12. Note Trustee May Perform

If Grantor fails to perform any agreement contained herein, Note Trustee may itself perform, or cause performance of, such agreement, and the reasonable expenses of Note Trustee incurred in connection therewith shall be payable by Grantor under Section 14.

13. Standard of Care

The powers conferred on Note Trustee hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Note Trustee shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Note Trustee shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Note Trustee accords its own property.

14. Remedies

If any Event of Default shall have occurred and be continuing, Note Trustee may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it (including, without limitation, sending a notice of activation under any Deposit Account Control Agreement), all the rights and remedies of a secured party in default under the UCC (whether or not the UCC applies to the affected Collateral), and also may (a) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Note Trustee forthwith, assemble all or part of the Collateral as directed by Note Trustee and make it available to Note Trustee at a place to be designated by Note Trustee that is reasonably convenient to both parties, (b) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Note Trustee deems appropriate, and (c) collect proceeds of Collateral. All costs and expenses of Note Trustee and any persons hired by Note Trustee in preserving, protecting or enforcing Note Trustee's rights under this Agreement or against the Collateral shall be reimbursed immediately by Grantor and added to and be part of the Secured Obligations.

15. Application of Proceeds

All proceeds received by Note Trustee shall be applied to the Secured Obligations on a pro rata basis.

16. Continuing Security Interest

(a) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the indefeasible payment in full of the Secured Obligations and the cancellation or termination of the Notes, (ii) be binding upon Grantor, its successors and assigns, and shall bind all Persons who become bound as a debtor to this Agreement, and (iii) inure, together with the rights and remedies of Note Trustee hereunder, to the benefit of Note Trustee and its successors, transferees and assigns. Subject to subsection (b) below, upon the payment in full of all Secured Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Grantor. Upon any such termination Note Trustee will, at Grantor's sole expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

(b) In the event that all or any portion of the Secured Obligations are paid, the obligations of Grantor hereunder shall continue and remain in full force and effect or be

reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Secured Obligations for all purposes of this Agreement.

17. Amendments, Etc.

(a) No amendment or waiver of any provision of this Agreement, or consent to any departure by herefrom, shall in any event be effective unless the same shall be in writing and signed by the party against which it is sought to be enforced, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

18. Notices

Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, telexed or sent by United States mail or courier service and shall be deemed to have been given when a record has been delivered in person or by courier service, upon receipt of telecopy or telex, or four Business Days after depositing it in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

19. Failure or Indulgence Not Waiver; Remedies Cumulative

No failure or delay on the part of Note Trustee in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

20. Severability

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

21. Headings

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

22. Governing Law; Terms

THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES FOR THE APPLICATION OF THE LAW OF THE STATE OF GRANTOR'S INCORPORATION.

23. Consent to Jurisdiction and Service of Process

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST GRANTOR ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT GRANTOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. Grantor hereby agrees that service of process sufficient for personal jurisdiction in any action against Grantor in the State of California may be made by registered or certified mail, return receipt requested, to Grantor pursuant to Section 18, and Grantor hereby acknowledges that such service shall be effective and binding in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of Grantor or Note Trustee to bring proceedings in the courts of any other jurisdiction, or object thereto.

24. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, Grantor and Note Trustee have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

O'CONNOR HOSPITAL, as Grantor

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of O'Connor Hospital

By: _____
Name: Ty Conner
Title: Vice President and Treasurer

Notice Address:

Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, CA 94065
Attn: Treasurer

with copies to:

Squire Patton Boggs
275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

U.S. BANK NATIONAL ASSOCIATION, as Note Trustee

By _____
Julia Hommel, Vice President

Notice Address:

633 West Fifth. Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

IN WITNESS WHEREOF, Grantor and Note Trustee have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

O'CONNOR HOSPITAL, as Grantor

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of O'Connor Hospital

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Julia Hommel, Vice President

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633 West Fifth. Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

SCHEDULE I
to Second Amended and Restated Security Agreement

LOAN AGREEMENTS FOR SERIES 2015 NOTES

1.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $60,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015A, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

2.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015B, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

3.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $10,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015C (Federally Taxable), as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

4.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015D, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

LOAN AGREEMENT FOR SERIES 2017 NOTES

5.) Loan Agreement, dated as of September 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017

LOAN AGREEMENT FOR SERIES 2017B NOTES

6.) Loan Agreement, dated as of December 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017B

SCHEDULE II
to Second Amended and Restated Security Agreement

BANK ACCOUNTS

DEPOSIT ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
O'Connor Hospital	Bank of America, N.A.	Deposit Account No. 1499783XXX

GOVERNMENT RECEIVABLES ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
O'Connor Hospital	Bank of America, N.A.	Deposit Account No. 14990-02XXX

SCHEDULE III
to Second Amended and Restated Security Agreement

LIENS AND ENCUMBRANCES OF GRANTOR

Lien on Gross Revenues Pledged to the Master Trustee pursuant to the Master Indenture.

See attached List of UCC Financing Statements.

SCHEDULE IV
to Second Amended and Restated Security Agreement

STATE OF INCORPORATION; NAME OF GRANTOR; OFFICE LOCATIONS; OTHER NAMES

SCHEDULE V

Definition of "Accounts"

""Accounts" means collectively, (a) any right to payment of a monetary obligation whether or not earned by performance, that relates to or arises out of any services provided or goods rendered by an Obligated Group Member (including, without limitation, payments made by or through a governmental authority to an individual patient assigned to such Member), (b) without duplication, any 'account' (as defined in the UCC), any accounts receivable, whether in the form of payments for services rendered or goods sold, rents, license fees or otherwise), any Health-Care-Insurance Receivables (as defined in the UCC) and any Payment Intangibles (as defined in the UCC), (c) all General Intangibles (as defined in the UCC), Intellectual Property (as defined in the UCC), rights, remedies, guarantees, supporting obligations and letter of credit rights relating to or arising out of the foregoing assets described in clauses (a) and (b), (d) all information and data compiled or derived by any Member or to which any Member is entitled in respect of or related to the foregoing assets described in clauses (a) and (b) and (e) and all proceeds of any of the foregoing."

EXHIBIT E

SECOND AMENDED AND RESTATED SECURITY AGREEMENT

This Second Amended and Restated Security Agreement (this "Agreement") is dated as of December 1, 2017, and amends and restates the Amended and Restated Security Agreement (the "Existing Agreement"), dated as of September 1, 2017 by and between ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation ("Grantor"), and U.S. BANK NATIONAL ASSOCIATION, as trustee ("Note Trustee"), as assignee under the Loan Agreements described on Schedule I annexed hereto and as may hereafter be amended, supplemented or otherwise modified from time to time, each between the California Public Finance Authority (the "Authority") and Verity Health System of California, Inc. (the "Corporation"), executed in connection with the issuance of notes by the Authority (collectively, the "Notes").

WITNESSETH:

WHEREAS, at the request of the Corporation, the Authority issued $160,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2015 in four separate series (collectively, the "Series 2015 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2015 Notes, which were used for refinancing, working capital and other purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2015 Notes by the Authority and the making of loans under the Loan Agreements executed in connection with the Series 2015 Notes (the "2015 Loan Agreements") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017 in a single series (the "Series 2017 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2017 Notes, which were used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017 Notes by the Authority and the making of loans under the Loan Agreement executed in connection with the Series 2017 Notes (the "2017 Loan Agreement") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017B in a single series (the "Series 2017B Notes" and, together with the Series 2015 Notes, and the Series 2017 Notes, the "Notes").

WHEREAS, Grantor is a recipient and beneficiary of certain proceeds of the Series 2017B Notes, which will be used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017B Notes by the Authority and the making of a loan under the Loan Agreement between the Authority and the Grantor executed in connection with the Series 2017B Notes (the "2017B Loan Agreement" and, together with the 2015 Loan Agreements and the 2017 Loan Agreement, the "Loan Agreements") that Grantor amend the Existing Agreement so as to provide that the grant of the security interests and undertaking of obligations contemplated by the Existing Agreement extend to the loan under the 2017B Loan Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor hereby agrees with Note Trustee as follows:

1. Definitions

(a) As used herein, capitalized terms shall have the meanings given to them in the Loan Agreements, except as otherwise defined herein or as the context otherwise requires. The term "Note Documents" shall have the meaning set forth in the Second Amended and Restated Intercreditor Agreement, dated of even date herewith among the Corporation, the other Obligors (as defined therein) including the Grantor, Note Trustee and U.S. Bank National Association, as Master Trustee ("Master Trustee") under the Master Indenture of Trust, dated as of December 1, 2001 (as amended, supplemented or otherwise modified from time to time, the "Master Indenture"), by and among the Corporation, the Initial Members (as defined therein) and Master Trustee. The term "Accounts" shall have the meaning set forth in the Indentures, dated as of December 1, 2015, as amended by the First Amendment to Indentures, dated as of February 1, 2016, the Indenture, dated as of September 1, 2017, and the Indenture, dated as of December 1, 2017 (collectively, the "Indentures"), each between the Authority and the Note Trustee (and for convenience, attached on Schedule V hereto). The terms "15% Cap", "Indebtedness" and "Reference Year" shall have the meanings set forth in the Amended and Restated Supplemental Master Indenture Number 20, dated as of January 1, 2016, between the Corporation and the Master Trustee.

(b) Any term used in the Uniform Commercial Code as adopted in the State of California, as it may hereafter be amended ("UCC") and not defined in this Agreement has the meaning given to the term in the UCC.

2. Grant of Security

Grantor hereby assigns to Note Trustee, and hereby grants to Note Trustee a continuing, first priority security interest in, all of Grantor's right, title, and interest in and to the following property of Grantor, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (collectively, the "Collateral"):

(a) All Accounts;

(b) Certain bank accounts (the "Bank Accounts") and all amounts deposited therein that are subject to Deposit Account Control Agreements, including, without limitation, those Bank Accounts listed on Schedule II annexed hereto; and

(c) All products, Proceeds and replacements thereof;

provided, however, that if, following the grant of the foregoing security interest, the amount of Indebtedness secured by the Collateral exceeds the 15% Cap, as it may be revised subsequent to the date hereof due to a change in the Reference Year, (x) the security interest in the Collateral granted herein (pursuant to clause (m) of the definition of "Permitted Liens" in the Master Indenture) shall, without further action by the Obligated Group or any party secured hereby, secure only an amount of the Notes that does not exceed the amount of such revised 15% Cap and (y) if separate liens on Accounts are in effect at such time under clause (m) of the definition of "Permitted Indebtedness" of the Master Indenture, any such automatic reduction in the amount of Indebtedness so secured shall occur pro rata in accordance with the principal amount of such Indebtedness.

3. Security for Obligation

This Agreement secures, and the Collateral is collateral security for, the prompt payment and performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), of all obligations and liabilities of every nature of all Obligors now or hereafter existing under or arising out of or in connection with the Loan Agreements and the other Note Documents and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Grantor, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise (all such obligations and liabilities being the "Underlying Debt"), and all obligations of every nature of Grantor now or hereafter existing under this Agreement (all such obligations of Grantor, together with the Underlying Debt, being collectively referred to as the "Secured Obligations").

4. Grantor Remains Liable

Anything contained herein to the contrary notwithstanding, (a) Grantor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Note Trustee of any of its rights hereunder shall not release Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Note Trustee shall not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement, nor shall

Note Trustee be obligated to perform any of the obligations or duties of Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

5. Representations and Warranties

Grantor represents and warrants as follows:

(a) Ownership of Collateral

Grantor has rights in or the power to transfer the Collateral and except for the Liens permitted under the Loan Agreements and the Master Indenture and the security interest created by this Agreement, Grantor owns the Collateral free and clear of any Lien. Except with respect to the interests and financing statements disclosed in Schedule III annexed hereto and such as may have been filed in favor of Note Trustee relating to this Agreement, no financing statement or other instrument similar in effect covering all or any part of the Collateral or listing Grantor as a debtor is on file in any filing or recording office.

(b) State of Incorporation; Name of Grantor; Office Locations; Other Names

The state of incorporation, the exact legal name of Grantor, the chief place of business, the chief executive office and the office where Grantor keeps its books and records is, and has been for the four month period preceding the date hereof, indicated on Schedule IV annexed hereto and Grantor has not in the past done, and does not now do, business under any other name (including any trade-name or fictitious business name) except as set forth on Schedule IV annexed hereto.

(c) Other Information

All information heretofore, herein or hereafter supplied to Note Trustee by or on behalf of Grantor with respect to the Collateral in connection with this Agreement, the Loan Agreements or the other Note Documents is accurate and complete in all respects.

6. Further Assurances

(a) Grantor agrees that from time to time, at the sole expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Note Trustee to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Grantor will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Note Trustee may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (ii) at any reasonable time, upon request by Note Trustee, exhibit the Collateral to and allow inspection of the Collateral by Note Trustee, or persons designated by Note Trustee, and (iii) at Note Trustee's reasonable request, appear in and defend any action or proceeding that may affect Grantor's title to or Note Trustee's security interest in all or any part of the Collateral.

(b) Grantor hereby authorizes Note Trustee to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Grantor. Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

(c) Grantor will furnish to Note Trustee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Note Trustee may reasonably request, all in reasonable detail.

7. Certain Covenants of Grantor

Grantor shall:

(a) Not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(b) Change the state of its incorporation;

(c) Notify Note Trustee of any change in Grantor's name, identity or corporate structure at least 30 days prior to such change; and

(d) Give Note Trustee 30 days' prior written notice of any change in Grantor's chief place of business, chief executive office or residence or the office where Grantor keeps its records.

8. Special Covenants With Respect to Accounts

(a) Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Accounts, and all originals of all chattel paper that evidence Accounts, at the location therefor specified in Section 5 or, upon 30 days' prior written notice to Note Trustee, at such other location in a jurisdiction where all action that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Note Trustee to exercise and enforce its rights and remedies hereunder, with respect to such Accounts. Grantor will hold and preserve such records and chattel paper and will permit representatives of Note Trustee at any time during normal business hours upon reasonable advance notice to inspect and make abstracts from such records and chattel paper, and Grantor agrees to render to Note Trustee, at Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto.

(b) Except as otherwise provided in this subsection (b), Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor under the Accounts. In connection with such collections, Grantor may take (and, at Note Trustee's direction following the occurrence and during the continuation of an Event of Default, shall take) such actions as Note Trustee may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Note Trustee shall have the right at any

time, upon the occurrence and during the continuation of an Event of Default, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Note Trustee and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee, to notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee and, upon such notification and at the sole expense of Grantor, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor might have done. Immediately upon receipt by Grantor of the notice from Note Trustee referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including checks and other instruments) received by Grantor in respect of the Accounts shall be received in trust for the benefit of Note Trustee hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over or delivered to Note Trustee in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 14, and (ii) Grantor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon, except as otherwise directed by Note Trustee.

(c) Grantor shall not change its instructions with respect to the Governmental Accounts identified on Schedule II such that the disposition of funds in these accounts is directed to be transferred to accounts other than (a) the Bank Accounts subject to Deposit Control Agreements identified on Schedule II or (b) to other bank accounts subject to deposit control agreements acceptable to Note Trustee and Master Trustee.

9. Transfers and Other Liens

Note Trustee does not authorize and Grantor agrees not to:

(a) (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as expressly permitted by the Loan Agreements or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the security interest under this Agreement; or

(b) create or suffer to exist any Lien upon or with respect to any of the Collateral to secure the indebtedness or other obligations of any Person, except for the lien of the Master Trustee on Gross Revenues which includes the Receivables (which is subordinate in all respects to Note Trustee's Lien under this Agreement) and any other interests disclosed in Schedule III annexed hereto and the security interest created by this Agreement and Liens permitted under the Loan Agreements.

10. Default

The occurrence of any of the following events shall constitute an Event of Default hereunder:

(a) Covenants. Grantor shall fail to observe or perform any covenant or agreement contained herein.

(b) Other Defaults. An event of default occurs under any of the Note Documents.

(c) Cross- Defaults. An event of default occurs under the Master Indenture.

11. Note Trustee Appointed Attorney-in-Fact

Grantor hereby irrevocably appoints Note Trustee as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, Note Trustee or otherwise, from time to time in Note Trustee's discretion to take any action and to execute any instrument that Note Trustee may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation:

(a) Upon the occurrence and during the continuation of an Event of Default, to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) To receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) and, upon the occurrence and during the continuation of an Event of Default, (c) below;

(c) Upon the occurrence and during the continuation of an Event of Default, to file any claims or take any action or institute any proceedings that Note Trustee may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Note Trustee with respect to any of the Collateral;

(d) To pay or discharge taxes or Liens (other than Liens permitted under this Agreement, the Loan Agreements or the Master Indenture) levied or placed upon the Collateral, the legality or validity of such taxes or Liens and the amounts necessary to discharge the same to be determined by Note Trustee in its sole discretion, any such payments made by Note Trustee to become obligations of Grantor to Note Trustee, due and payable immediately without demand; and

(e) Upon the occurrence and during the continuation of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect, to or otherwise deal with any of the Collateral as fully and completely as though Note Trustee were the absolute owner thereof for all purposes, and to do, at Note Trustee's option and Grantor's expense, at any time or from time to time, all acts and things that Note Trustee deems necessary to protect, preserve or realize upon the Collateral and Note Trustee's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as Grantor might do.

12. Note Trustee May Perform

If Grantor fails to perform any agreement contained herein, Note Trustee may itself perform, or cause performance of, such agreement, and the reasonable expenses of Note Trustee incurred in connection therewith shall be payable by Grantor under Section 14.

13. Standard of Care

The powers conferred on Note Trustee hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Note Trustee shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Note Trustee shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Note Trustee accords its own property.

14. Remedies

If any Event of Default shall have occurred and be continuing, Note Trustee may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it (including, without limitation, sending a notice of activation under any Deposit Account Control Agreement), all the rights and remedies of a secured party in default under the UCC (whether or not the UCC applies to the affected Collateral), and also may (a) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Note Trustee forthwith, assemble all or part of the Collateral as directed by Note Trustee and make it available to Note Trustee at a place to be designated by Note Trustee that is reasonably convenient to both parties, (b) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Note Trustee deems appropriate, and (c) collect proceeds of Collateral. All costs and expenses of Note Trustee and any persons hired by Note Trustee in preserving, protecting or enforcing Note Trustee's rights under this Agreement or against the Collateral shall be reimbursed immediately by Grantor and added to and be part of the Secured Obligations.

15. Application of Proceeds

All proceeds received by Note Trustee shall be applied to the Secured Obligations on a pro rata basis.

16. Continuing Security Interest

(a) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the indefeasible payment in full of the Secured Obligations and the cancellation or termination of the Notes, (ii) be binding upon Grantor, its successors and assigns, and shall bind all Persons who become bound as a debtor to this Agreement, and (iii) inure, together with the rights and remedies of Note Trustee hereunder, to the benefit of Note Trustee and its successors, transferees and assigns. Subject to subsection (b) below, upon the payment in full of all Secured Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Grantor. Upon any such termination Note Trustee will, at Grantor's sole expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

(b) In the event that all or any portion of the Secured Obligations are paid, the obligations of Grantor hereunder shall continue and remain in full force and effect or be

reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Secured Obligations for all purposes of this Agreement.

17. Amendments, Etc.

(a) No amendment or waiver of any provision of this Agreement, or consent to any departure by herefrom, shall in any event be effective unless the same shall be in writing and signed by the party against which it is sought to be enforced, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

18. Notices

Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, telexed or sent by United States mail or courier service and shall be deemed to have been given when a record has been delivered in person or by courier service, upon receipt of telecopy or telex, or four Business Days after depositing it in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

19. Failure or Indulgence Not Waiver; Remedies Cumulative

No failure or delay on the part of Note Trustee in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

20. Severability

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

21. Headings

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

22. Governing Law; Terms

THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES FOR THE APPLICATION OF THE LAW OF THE STATE OF GRANTOR'S INCORPORATION.

23. Consent to Jurisdiction and Service of Process

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST GRANTOR ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT GRANTOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. Grantor hereby agrees that service of process sufficient for personal jurisdiction in any action against Grantor in the State of California may be made by registered or certified mail, return receipt requested, to Grantor pursuant to Section 18, and Grantor hereby acknowledges that such service shall be effective and binding in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of Grantor or Note Trustee to bring proceedings in the courts of any other jurisdiction, or object thereto.

24. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, Grantor and Note Trustee have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

ST. VINCENT MEDICAL CENTER, as Grantor

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of St. Vincent Medical Center

By: _____
Name: Ty Conner
Title: Vice President and Treasurer

Notice Address:

Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, CA 94065
Attn: Treasurer

with copies to:

Squire Patton Boggs
275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

U.S. BANK NATIONAL ASSOCIATION, as Note Trustee

By _____
Julia Hommel, Vice President

Notice Address:

633 West Fifth. Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

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Julia Hommel, Vice President

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Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

(Signature Page to Amended and Restated Security Agreement)

SCHEDULE I
to Second Amended and Restated Security Agreement

LOAN AGREEMENTS FOR SERIES 2015 NOTES

1.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $60,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015A, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

2.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015B, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

3.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $10,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015C (Federally Taxable), as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

4.) Loan Agreement, dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015D, as amended by the Amendment to the Loan Agreement, dated as of March 2, 2016

LOAN AGREEMENT FOR SERIES 2017 NOTES

5.) Loan Agreement, dated as of September 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017

LOAN AGREEMENT FOR SERIES 2017B NOTES

6.) Loan Agreement, dated as of December 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017B

SCHEDULE II
to Second Amended and Restated Security Agreement

BANK ACCOUNTS

DEPOSIT ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
St. Vincent Medical Center	Bank of America, N.A.	Deposit Account No. 1499783XXX

GOVERNMENT RECEIVABLES ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
St. Vincent Medical Center	Bank of America, N.A.	Deposit Account No. 14990-02XXX

SCHEDULE III
to Second Amended and Restated Security Agreement

LIENS AND ENCUMBRANCES OF GRANTOR

Lien on Gross Revenues Pledged to the Master Trustee pursuant to the Master Indenture.

See attached List of UCC Financing Statements.

SCHEDULE IV
to Second Amended and Restated Security Agreement

STATE OF INCORPORATION; NAME OF GRANTOR; OFFICE LOCATIONS; OTHER NAMES

SCHEDULE V

Definition of "Accounts"

""Accounts" means collectively, (a) any right to payment of a monetary obligation whether or not earned by performance, that relates to or arises out of any services provided or goods rendered by an Obligated Group Member (including, without limitation, payments made by or through a governmental authority to an individual patient assigned to such Member), (b) without duplication, any 'account' (as defined in the UCC), any accounts receivable, whether in the form of payments for services rendered or goods sold, rents, license fees or otherwise), any Health-Care-Insurance Receivables (as defined in the UCC) and any Payment Intangibles (as defined in the UCC), (c) all General Intangibles (as defined in the UCC), Intellectual Property (as defined in the UCC), rights, remedies, guarantees, supporting obligations and letter of credit rights relating to or arising out of the foregoing assets described in clauses (a) and (b), (d) all information and data compiled or derived by any Member or to which any Member is entitled in respect of or related to the foregoing assets described in clauses (a) and (b) and (e) and all proceeds of any of the foregoing."

EXHIBIT F

SECOND AMENDED AND RESTATED SECURITY AGREEMENT

This Second Amended and Restated Security Agreement (this "Agreement") is dated as of December 1, 2017, and amends and restates the Amended and Restated Security Agreement (the "Existing Agreement"), dated as of September 1, 2017 by and between SETON COASTSIDE, a division of SETON MEDICAL CENTER, a California nonprofit public benefit corporation ("Grantor"), and U.S. BANK NATIONAL ASSOCIATION, as trustee ("Note Trustee"), as assignee under the Loan Agreements described on Schedule I annexed hereto and as may hereafter be amended, supplemented or otherwise modified from time to time, each between the California Public Finance Authority (the "Authority") and Verity Health System of California, Inc. (the "Corporation"), executed in connection with the issuance of notes by the Authority (collectively, the "Notes").

WITNESSETH:

WHEREAS, at the request of the Corporation, the Authority issued $160,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2015 in four separate series (collectively, the "Series 2015 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2015 Notes, which were used for refinancing, working capital and other purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2015 Notes by the Authority and the making of loans under the Loan Agreements executed in connection with the Series 2015 Notes (the "2015 Loan Agreements") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017 in a single series (the "Series 2017 Notes").

WHEREAS, Grantor was a recipient and beneficiary of certain proceeds of the Series 2017 Notes, which were used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017 Notes by the Authority and the making of loans under the Loan Agreement executed in connection with the Series 2017 Notes (the "2017 Loan Agreement") that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

WHEREAS, at the request of the Corporation, the Authority issued $21,000,000 aggregate principal amount of its Revenue Notes (Verity Health System), Series 2017B in a single series (the "Series 2017B Notes" and, together with the Series 2015 Notes, and the Series 2017 Notes, the "Notes").

WHEREAS, Grantor is a recipient and beneficiary of certain proceeds of the Series 2017B Notes, which will be used for working capital purposes.

WHEREAS, it was a condition precedent to the issuance of the Series 2017B Notes by the Authority and the making of a loan under the Loan Agreement between the Authority and the Grantor executed in connection with the Series 2017B Notes (the "2017B Loan Agreement" and, together with the 2015 Loan Agreements and the 2017 Loan Agreement, the "Loan Agreements") that Grantor amend the Existing Agreement so as to provide that the grant of the security interests and undertaking of obligations contemplated by the Existing Agreement extend to the loan under the 2017B Loan Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor hereby agrees with Note Trustee as follows:

1. Definitions

(a) As used herein, capitalized terms shall have the meanings given to them in the Loan Agreements, except as otherwise defined herein or as the context otherwise requires. The term "Note Documents" shall have the meaning set forth in the Second Amended and Restated Intercreditor Agreement, dated of even date herewith among the Corporation, the other Obligors (as defined therein) including the Grantor, Note Trustee and U.S. Bank National Association, as Master Trustee ("Master Trustee") under the Master Indenture of Trust, dated as of December 1, 2001 (as amended, supplemented or otherwise modified from time to time, the "Master Indenture"), by and among the Corporation, the Initial Members (as defined therein) and Master Trustee. The term "Accounts" shall have the meaning set forth in the Indentures, dated as of December 1, 2015, as amended by the First Amendment to Indentures, dated as of February 1, 2016, the Indenture, dated as of September 1, 2017 and the Indenture, dated as of December 1, 2017 (collectively, the "Indentures"), each between the Authority and the Note Trustee (and for convenience, attached on Schedule V hereto). The terms "15% Cap", "Indebtedness" and "Reference Year" shall have the meanings set forth in the Amended and Restated Supplemental Master Indenture Number 20, dated as of January 1, 2016, between the Corporation and the Master Trustee.

(b) Any term used in the Uniform Commercial Code as adopted in the State of California, as it may hereafter be amended ("UCC") and not defined in this Agreement has the meaning given to the term in the UCC.

2. Grant of Security

Grantor hereby assigns to Note Trustee, and hereby grants to Note Trustee a continuing, first priority security interest in, all of Grantor's right, title, and interest in and to the following property of Grantor, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (collectively, the "Collateral"):

(a) All Accounts;

(b) Certain bank accounts (the "Bank Accounts") and all amounts deposited therein that are subject to Deposit Account Control Agreements, including, without limitation, those Bank Accounts listed on Schedule II annexed hereto; and

(c) All products, Proceeds and replacements thereof;

provided, however, that if, following the grant of the foregoing security interest, the amount of Indebtedness secured by the Collateral exceeds the 15% Cap, as it may be revised subsequent to the date hereof due to a change in the Reference Year, (x) the security interest in the Collateral granted herein (pursuant to clause (m) of the definition of "Permitted Liens" in the Master Indenture) shall, without further action by the Obligated Group or any party secured hereby, secure only an amount of the Notes that does not exceed the amount of such revised 15% Cap and (y) if separate liens on Accounts are in effect at such time under clause (m) of the definition of "Permitted Indebtedness" of the Master Indenture, any such automatic reduction in the amount of Indebtedness so secured shall occur pro rata in accordance with the principal amount of such Indebtedness.

3. Security for Obligation

This Agreement secures, and the Collateral is collateral security for, the prompt payment and performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), of all obligations and liabilities of every nature of all Obligors now or hereafter existing under or arising out of or in connection with the Loan Agreements and the other Note Documents and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Grantor, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise (all such obligations and liabilities being the "Underlying Debt"), and all obligations of every nature of Grantor now or hereafter existing under this Agreement (all such obligations of Grantor, together with the Underlying Debt, being collectively referred to as the "Secured Obligations").

4. Grantor Remains Liable

Anything contained herein to the contrary notwithstanding, (a) Grantor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Note Trustee of any of its rights hereunder shall not release Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Note Trustee shall not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement, nor shall

Note Trustee be obligated to perform any of the obligations or duties of Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

5. Representations and Warranties

Grantor represents and warrants as follows:

(a) Ownership of Collateral

Grantor has rights in or the power to transfer the Collateral and except for the Liens permitted under the Loan Agreements and the Master Indenture and the security interest created by this Agreement, Grantor owns the Collateral free and clear of any Lien. Except with respect to the interests and financing statements disclosed in Schedule III annexed hereto and such as may have been filed in favor of Note Trustee relating to this Agreement, no financing statement or other instrument similar in effect covering all or any part of the Collateral or listing Grantor as a debtor is on file in any filing or recording office.

(b) State of Incorporation; Name of Grantor; Office Locations; Other Names

The state of incorporation, the exact legal name of Grantor, the chief place of business, the chief executive office and the office where Grantor keeps its books and records is, and has been for the four month period preceding the date hereof, indicated on Schedule IV annexed hereto and Grantor has not in the past done, and does not now do, business under any other name (including any trade-name or fictitious business name) except as set forth on Schedule IV annexed hereto.

(c) Other Information

All information heretofore, herein or hereafter supplied to Note Trustee by or on behalf of Grantor with respect to the Collateral in connection with this Agreement, the Loan Agreements or the other Note Documents is accurate and complete in all respects.

6. Further Assurances

(a) Grantor agrees that from time to time, at the sole expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Note Trustee to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Grantor will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Note Trustee may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (ii) at any reasonable time, upon request by Note Trustee, exhibit the Collateral to and allow inspection of the Collateral by Note Trustee, or persons designated by Note Trustee, and (iii) at Note Trustee's reasonable request, appear in and defend any action or proceeding that may affect Grantor's title to or Note Trustee's security interest in all or any part of the Collateral.

(b) Grantor hereby authorizes Note Trustee to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Grantor. Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

(c) Grantor will furnish to Note Trustee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Note Trustee may reasonably request, all in reasonable detail.

7. Certain Covenants of Grantor

Grantor shall:

(a) Not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(b) Change the state of its incorporation;

(c) Notify Note Trustee of any change in Grantor's name, identity or corporate structure at least 30 days prior to such change; and

(d) Give Note Trustee 30 days' prior written notice of any change in Grantor's chief place of business, chief executive office or residence or the office where Grantor keeps its records.

8. Special Covenants With Respect to Accounts

(a) Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Accounts, and all originals of all chattel paper that evidence Accounts, at the location therefor specified in Section 5 or, upon 30 days' prior written notice to Note Trustee, at such other location in a jurisdiction where all action that may be necessary or desirable, or that Note Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Note Trustee to exercise and enforce its rights and remedies hereunder, with respect to such Accounts. Grantor will hold and preserve such records and chattel paper and will permit representatives of Note Trustee at any time during normal business hours upon reasonable advance notice to inspect and make abstracts from such records and chattel paper, and Grantor agrees to render to Note Trustee, at Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto.

(b) Except as otherwise provided in this subsection (b), Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor under the Accounts. In connection with such collections, Grantor may take (and, at Note Trustee's direction following the occurrence and during the continuation of an Event of Default, shall take) such actions as Note Trustee may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Note Trustee shall have the right at any

time, upon the occurrence and during the continuation of an Event of Default, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Note Trustee and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee, to notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to an account maintained by Note Trustee or as otherwise directed by Note Trustee and, upon such notification and at the sole expense of Grantor, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor might have done. Immediately upon receipt by Grantor of the notice from Note Trustee referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including checks and other instruments) received by Grantor in respect of the Accounts shall be received in trust for the benefit of Note Trustee hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over or delivered to Note Trustee in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 14, and (ii) Grantor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon, except as otherwise directed by Note Trustee.

(c) Grantor shall not change its instructions with respect to the Governmental Accounts identified on Schedule II such that the disposition of funds in these accounts is directed to be transferred to accounts other than (a) the Bank Accounts subject to Deposit Control Agreements identified on Schedule II or (b) to other bank accounts subject to deposit control agreements acceptable to Note Trustee and Master Trustee.

9. Transfers and Other Liens

Note Trustee does not authorize and Grantor agrees not to:

(a) (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as expressly permitted by the Loan Agreements or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the security interest under this Agreement; or

(b) create or suffer to exist any Lien upon or with respect to any of the Collateral to secure the indebtedness or other obligations of any Person, except for the lien of the Master Trustee on Gross Revenues which includes the Receivables (which is subordinate in all respects to Note Trustee's Lien under this Agreement) and any other interests disclosed in Schedule III annexed hereto and the security interest created by this Agreement and Liens permitted under the Loan Agreements.

10. Default

The occurrence of any of the following events shall constitute an Event of Default hereunder:

(a) Covenants. Grantor shall fail to observe or perform any covenant or agreement contained herein.

(b) Other Defaults. An event of default occurs under any of the Note Documents.

(c) Cross- Defaults. An event of default occurs under the Master Indenture.

11. Note Trustee Appointed Attorney-in-Fact

Grantor hereby irrevocably appoints Note Trustee as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, Note Trustee or otherwise, from time to time in Note Trustee's discretion to take any action and to execute any instrument that Note Trustee may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation:

(a) Upon the occurrence and during the continuation of an Event of Default, to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) To receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) and, upon the occurrence and during the continuation of an Event of Default, (c) below;

(c) Upon the occurrence and during the continuation of an Event of Default, to file any claims or take any action or institute any proceedings that Note Trustee may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Note Trustee with respect to any of the Collateral;

(d) To pay or discharge taxes or Liens (other than Liens permitted under this Agreement, the Loan Agreements or the Master Indenture) levied or placed upon the Collateral, the legality or validity of such taxes or Liens and the amounts necessary to discharge the same to be determined by Note Trustee in its sole discretion, any such payments made by Note Trustee to become obligations of Grantor to Note Trustee, due and payable immediately without demand; and

(e) Upon the occurrence and during the continuation of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect, to or otherwise deal with any of the Collateral as fully and completely as though Note Trustee were the absolute owner thereof for all purposes, and to do, at Note Trustee's option and Grantor's expense, at any time or from time to time, all acts and things that Note Trustee deems necessary to protect, preserve or realize upon the Collateral and Note Trustee's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as Grantor might do.

12. Note Trustee May Perform

If Grantor fails to perform any agreement contained herein, Note Trustee may itself perform, or cause performance of, such agreement, and the reasonable expenses of Note Trustee incurred in connection therewith shall be payable by Grantor under Section 14.

13. Standard of Care

The powers conferred on Note Trustee hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Note Trustee shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Note Trustee shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Note Trustee accords its own property.

14. Remedies

If any Event of Default shall have occurred and be continuing, Note Trustee may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it (including, without limitation, sending a notice of activation under any Deposit Account Control Agreement), all the rights and remedies of a secured party in default under the UCC (whether or not the UCC applies to the affected Collateral), and also may (a) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Note Trustee forthwith, assemble all or part of the Collateral as directed by Note Trustee and make it available to Note Trustee at a place to be designated by Note Trustee that is reasonably convenient to both parties, (b) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Note Trustee deems appropriate, and (c) collect proceeds of Collateral. All costs and expenses of Note Trustee and any persons hired by Note Trustee in preserving, protecting or enforcing Note Trustee's rights under this Agreement or against the Collateral shall be reimbursed immediately by Grantor and added to and be part of the Secured Obligations.

15. Application of Proceeds

All proceeds received by Note Trustee shall be applied to the Secured Obligations on a pro rata basis.

16. Continuing Security Interest

(a) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the indefeasible payment in full of the Secured Obligations and the cancellation or termination of the Notes, (ii) be binding upon Grantor, its successors and assigns, and shall bind all Persons who become bound as a debtor to this Agreement, and (iii) inure, together with the rights and remedies of Note Trustee hereunder, to the benefit of Note Trustee and its successors, transferees and assigns. Subject to subsection (b) below, upon the payment in full of all Secured Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Grantor. Upon any such termination Note Trustee will, at Grantor's sole expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

(b) In the event that all or any portion of the Secured Obligations are paid, the obligations of Grantor hereunder shall continue and remain in full force and effect or be

reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from Note Trustee as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Secured Obligations for all purposes of this Agreement.

17. Amendments, Etc.

(a) No amendment or waiver of any provision of this Agreement, or consent to any departure by herefrom, shall in any event be effective unless the same shall be in writing and signed by the party against which it is sought to be enforced, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

18. Notices

Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, telexed or sent by United States mail or courier service and shall be deemed to have been given when a record has been delivered in person or by courier service, upon receipt of telecopy or telex, or four Business Days after depositing it in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

19. Failure or Indulgence Not Waiver; Remedies Cumulative

No failure or delay on the part of Note Trustee in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

20. Severability

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

21. Headings

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

22. Governing Law; Terms

THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES FOR THE APPLICATION OF THE LAW OF THE STATE OF GRANTOR'S INCORPORATION.

23. Consent to Jurisdiction and Service of Process

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST GRANTOR ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT GRANTOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. Grantor hereby agrees that service of process sufficient for personal jurisdiction in any action against Grantor in the State of California may be made by registered or certified mail, return receipt requested, to Grantor pursuant to Section 18, and Grantor hereby acknowledges that such service shall be effective and binding in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of Grantor or Note Trustee to bring proceedings in the courts of any other jurisdiction, or object thereto.

24. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, Grantor and Note Trustee have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SETON COASTSIDE, a division of SETON MEDICAL CENTER, as Grantor

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of Seton Medical Center

By: _____
Name: Ty Conner
Title: Vice President and Treasurer

Notice Address:

Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, CA 94065
Attn: Treasurer

with copies to:

Squire Patton Boggs
275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

U.S. BANK NATIONAL ASSOCIATION, as Note Trustee

By _____
Julia Hommel, Vice President

Notice Address:

633 West Fifth. Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

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SETON COASTSIDE, a division of SETON MEDICAL CENTER, as Grantor

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Attn: Global Corporate Trust Services

with copies to:

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

SCHEDULE I
to Second Amended and Restated Security Agreement

LOAN AGREEMENTS FOR SERIES 2015 NOTES

1.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $60,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015A, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

2.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015B, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

3.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $10,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015C (Federally Taxable), as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

4.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015D, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

LOAN AGREEMENT FOR SERIES 2017 NOTES

5.) Loan Agreement, dated as of September 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017

LOAN AGREEMENT FOR SERIES 2017B NOTES

6.) Loan Agreement, dated as of December 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017B

SCHEDULE II
to Second Amended and Restated Security Agreement

BANK ACCOUNTS

DEPOSIT ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
Seton Coastside, a division of Seton Medical Center	Bank of America, N.A.	Deposit Account No. 1499783XXX

GOVERNMENT RECEIVABLES ACCOUNTS

HOSPITAL	BANK	ACCOUNT NAME AND NUMBER
Seton Coastside, a division of Seton Medical Center	Bank of America, N.A.	Deposit Account No. 14990-02XXX

SCHEDULE III
to Second Amended and Restated Security Agreement

LIENS AND ENCUMBRANCES OF GRANTOR

Lien on Gross Revenues Pledged to the Master Trustee pursuant to the Master Indenture.

See attached List of UCC Financing Statements.

SCHEDULE IV
to Second Amended and Restated Security Agreement

STATE OF INCORPORATION; NAME OF GRANTOR; OFFICE LOCATIONS; OTHER NAMES

SCHEDULE V

Definition of "Accounts"

""Accounts" means collectively, (a) any right to payment of a monetary obligation whether or not earned by performance, that relates to or arises out of any services provided or goods rendered by an Obligated Group Member (including, without limitation, payments made by or through a governmental authority to an individual patient assigned to such Member), (b) without duplication, any 'account' (as defined in the UCC), any accounts receivable, whether in the form of payments for services rendered or goods sold, rents, license fees or otherwise), any Health-Care-Insurance Receivables (as defined in the UCC) and any Payment Intangibles (as defined in the UCC), (c) all General Intangibles (as defined in the UCC), Intellectual Property (as defined in the UCC), rights, remedies, guarantees, supporting obligations and letter of credit rights relating to or arising out of the foregoing assets described in clauses (a) and (b), (d) all information and data compiled or derived by any Member or to which any Member is entitled in respect of or related to the foregoing assets described in clauses (a) and (b) and (e) and all proceeds of any of the foregoing."

EXHIBIT G

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WHEN RECORDED MAIL TO:

CHICAGO TITLE COMPANY
COMMERCIAL DIVISION

Attn: Catrina C. Cohn, Esq.
Squire Patton Boggs (US) LLP
275 Battery St., Suite 2600
San Francisco, CA 94111

SPACE ABOVE THIS LINE FOR RECORDER'S USE

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

3

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

THIS SECOND AMENDED AND RESTATED **INTERCREDITOR AGREEMENT** (this "***Agreement***") entered into as of December 1, 2017 amends and restates the Amended and Restated Intercreditor Agreement, dated as of September 1, 2017, recorded in Los Angeles County as Instrument Number 20171060070 on September 18, 2017 at 8:00 a.m. (the "First Amended and Restated Intercreditor Agreement"), which amended and restated the Intercreditor Agreement, dated as of December 1, 2015 recorded in Los Angeles County as Instrument Number 20151573372 on December 15, 2015 at 8:00 a.m. and recorded in Santa Clara County as Instrument Number 23173258 on December 16, 2015 at 8:00 a.m., by and among Verity Health System of California, Inc., a nonprofit public benefit corporation incorporated under the laws of the State of California ("the "***Corporation***"), on behalf of itself and each Obligated Group Member listed on the attached **Schedule A** (each, an "***Obligor***" and collectively, the "***Obligors***"), U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (together with any successor thereto in any such capacity, the "***Note Trustee***") under (i) the Indentures, dated as of December 1, 2015 (as they may be supplemented and amended in accordance with their terms, the "***2015 Indentures***") with respect to the 2015 Notes (as defined below), (ii) the Indenture, dated as of September 1, 2017 (as it may be supplemented and amended in accordance with its terms, the "***2017 Indenture***"), with respect to the 2017 Notes (defined below), and (iii) the Indenture, dated as of December 1, 2017 (as it may be supplemented and amended in accordance with its terms, the "***2017B Indenture***" and, together with the 2015 Indentures and the 2017 Indenture, the "***Note Indentures***") with respect to the 2017B Notes (as defined below), each between the Note Trustee and the California Public Finance Authority (the "***Authority***"), and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as master trustee (together with its successors in such capacity, the "***Master Trustee***") pursuant to the Master Indenture of Trust, dated as of December 1, 2001 (as supplemented and amended in accordance with its terms, the "***Master Indenture***"), between the Corporation, the Initial Members (as defined therein) and the Master Trustee.

RECITALS

A. The Authority and the Corporation have entered into four Loan Agreements as identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2015 Loan Agreements***") with respect to the Series 2015A Notes in the original principal amount of $60 Million (the "***2015A Notes***"), the Series 2015B Notes in the original principal amount of $45 Million (the "***2015B Notes***"), the Series 2015C Notes in the original principal amount of $10 Million (the "***2015C Notes***"), and the Series 2015D Notes in the original principal amount of $45 Million (the "***2015D Notes***", and collectively, the "***2015 Notes***") and one Loan Agreement as identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2017 Loan Agreement***") with respect to the Series 2017 Notes in the original principal amount of $21 Million (the "***2017 Notes***") and are expected to enter into one Loan Agreement identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2017B Loan Agreement***" and, together with the 2015 Loan Agreements and 2017 Loan Agreement, the "***Loan Agreements***") with respect to the 2017B Notes in the original

principal amount of $21 Million (the **"*2017B Notes*"** and, together with the 2015 Notes and the 2017 Notes, the ***"Notes"***), pursuant to which, among other things, the Authority has made or has agreed to make, subject to the terms and conditions set forth in the Loan Agreements, loans and financial accommodations to the Corporation to be used for refinancing, working capital and other purposes for each Obligor and certain affiliates. All of the Corporation's Obligations (as defined in the Loan Agreements) are secured by liens on and security interests in certain property of the Corporation and the Obligors (the **"*Note Collateral*"**) as set forth in **Schedule C**, and are further secured by certain obligations (the **"*MTI Note Obligations*"**) issued under the Master Indenture pursuant to the Supplemental Master Indentures for the MTI Note Obligations as set forth in **Schedule D**.

B. The Obligors listed in **Schedule C** entered into Security Agreements with the Note Trustee, dated as of December 14, 2015 in connection with the 2015 Notes and amended and restated those Security Agreements, dated as of September 1, 2017 in connection with, and to include, the 2017 Notes, and amended and restated those Security Agreements, dated as of December 1, 2017 in connection with, and to include, the 2017B Notes (as the same may be amended, restated, supplemented or otherwise modified from time to time as permitted hereunder, the **"*Security Agreements*"**) as set forth in **Schedule E**. All of the Corporation's obligations pursuant to the Loan Agreements are secured by the accounts receivable of the Obligors listed on **Schedule C**.

C. The Corporation, on behalf of each of St. Francis Medical Center and Saint Louise Regional Hospital have executed and delivered the St. Francis Deeds of Trust and the Saint Louise Deed of Trust, respectively, on certain of their respective real and personal property as set forth in **Schedule C** and have delivered to the Note Trustee Subordination Agreements executed by the Master Trustee relating to the Master Trustee's liens on such real and personal property. All of the Corporation's obligations pursuant to the Loan Agreements are secured by these Deeds of Trust on a senior lien basis in accordance with the related Subordination Agreements.

D. The Note Collateral (as defined in **Schedule C**) was granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2015 Loan Agreements. The purchasers of the 2015 Notes (the **"*2015 Holders*"**) required the execution and delivery of the Original Agreement by the Master Trustee, the 2015 Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee and Master Trustee under the 2015 Note Documents (as defined below) and the Master Indenture.

E. The Note Collateral (as defined in **Schedule C**) was granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2017 Loan Agreement. The purchasers of the 2017 Notes (the ***"2017 Holders"***) required the execution and delivery of the First Amended and Restated Intercreditor Agreement by the Master Trustee, the Note Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee, as trustee for the holders of the 2015 Notes and the 2017 Notes, and Master Trustee under the Note Documents (as defined below) and the Master Indenture.

F. The Note Collateral (as defined in **Schedule C**) is granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2017B Loan Agreement. The purchasers of the 2017B Notes (the ***"2017B Holders"*** and, together with the 2015 Holders and the 2017 Holders, the ***"Note Holders"***) required the execution and delivery of this Agreement by the Master Trustee, the Note Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee, as trustees for the holders of the 2015 Notes, the 2017 Notes and the 2017B Notes, and Master Trustee under the Note Documents (as defined below) and the Master Indenture.

G. The 2015 MTI Obligations have been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2015 Trustee for the benefit of the 2015 Holders as additional security for the obligations of the Corporation under the 2015 Loan Agreements; the 2017 MTI Obligation has been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2017 Trustee for the benefit of the 2017 Holders as additional security for the obligations of the Corporation under the 2017 Loan Agreement; and the 2017B MTI Obligation has been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2017B Trustee for the benefit of the 2017B Holders as additional security for the obligations of the Corporation under the 2017B Loan Agreement. Pursuant to the MTI Note Obligations and the Master Indenture, the MTI Note Obligations are secured under the Master Indenture on equal rank without preference, priority or distinction of any Obligation issued under the Master Indenture over any other such Obligations (the ***"MTI Collateral"***). The MTI Collateral includes a pledge of the Gross Revenues (as defined in the Master Indenture) of the Obligated Group which includes accounts receivable.

H. Pursuant to Section 5.01(B) of each of the 2015 Indenture and the 2017 Indenture, the Authority has assigned to the 2015 Trustee or 2017 Trustee, as applicable, for the benefit of the Holders from time to time of the respective Notes, its security interest in the Note Collateral which has been pledged to the Authority to support the obligations of the Corporation in the 2015 Loan Agreements and the 2017 Loan Agreement, as applicable.

I. As of the issuance of the 2017B Notes, the Obligations Outstanding under the Master Indenture secure the repayment of: (i) the 2005A Bonds in the outstanding principal amount of $246,345,000, the 2005G Bonds in the outstanding principal amount of $10,855,000, the 2005H Bonds in the outstanding principal amount of $8,985,000 (total outstanding principal amount of 2005 Bonds is $266,185,000) (collectively, the "2005 Bonds"), (ii) the 2015 Notes, (iii) the 2017 Notes, and (iv) the 2017B Notes.

J. The 2005 Bonds are subject, under certain circumstances, to certain Remediation Requirements pursuant to the provisions of the Internal Revenue Code as indicated in the Tax Certificates for the 2005 Bonds. In the event of an action which results in the need for a remediation of certain outstanding 2005 Bonds, the Authority or the Corporation will seek an opinion of Nationally Recognized Bond Counsel as to what application of the amount of proceeds of any sale or disposition of the applicable property financed by the 2005 Bonds is required in connection with the applicable change in use of any bond financed property. The 2005 Bonds are callable at par as of July 1, 2015.

K. The Master Indenture contains certain covenants as to Additional Indebtedness (Sec 3.05) and Against Encumbrances (Sec 3.04).

L. The 2015 Notes and the 2017 Notes were, and the 2017B Notes are, issued as Additional Indebtedness in accordance with the provisions of Sec 3.05(d) of the Master Indenture as certified by the Chief Financial Officer of the Corporation.

M. The liens supporting the 2015 Notes and the 2017 Notes were, and the liens supporting the 2017B Notes are, granted as Permitted Liens: 1) pursuant to subsection (m) of the defined term Permitted Liens as to the grant of liens on accounts receivable as certified by the Vice President and Treasurer of the Corporation; and 2) pursuant to subsection (q) of the defined term Permitted Liens as to the Deeds of Trust and the security interest in the Property related thereto as certified by the Vice President and Treasurer of the Corporation.

N. Pursuant to Section 3.04(d) of the Master Indenture, the Master Trustee is directed to execute and deliver a reasonably requested subordination in connection with the grant of a Permitted Lien.

NOW, THEREFORE, in order to induce the 2017B Holders to purchase the 2017B Notes and the Note Trustee and the Authority to consummate the transactions contemplated by the 2017B Loan Agreement, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

(a) As used herein, capitalized terms shall have the meanings given to them in the Loan Agreements, the Indentures, the Master Indenture, the Security Agreements, the Deeds of Trust and the Subordination Agreements executed in connection with the Deeds of Trust, except as otherwise defined herein or as the context otherwise requires.

(b) Any term used in the Uniform Commercial Code as adopted in the State of California, as it may hereafter be amended (***"UCC"***) and not defined in this Agreement or in the documents set forth in subsection (a) above has the meaning given to the term in the UCC.

"Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time, and any successor statute and all rules and regulations promulgated thereunder.

"Deeds of Trust" means, collectively, the St. Francis Deeds of Trust and the Saint Louise Deed of Trust.

"Lien" means any lien, security interest, pledge, bailment, mortgage, hypothecation, deed of trust, conditional sales and title retention agreement (including any lease in the nature thereof), charge, encumbrance or other similar arrangement or interest in real or personal property, now owned or hereafter acquired, whether such interest is based on common law, statute or contract.

"***Nationally Recognized Bond Counsel***" means Squire Patton Boggs (US) LLP or any other bond counsel firm with a national reputation for delivering opinions with respect to the tax-exemption of interest on municipal bonds for federal income tax purposes that is retained by the Corporation or the Authority for the purpose of rendering an opinion as to Remediation Requirements.

"***Note Documents***" means, collectively, the 2015 Note Documents, the 2017 Note Documents and the 2017B Note Documents, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"***Person***" means any natural person, corporation, general or limited partnership, limited liability company, firm, trust, association, government, governmental agency or other entity, whether acting in an individual, fiduciary or other capacity.

"***Priority Assets***" means the assets constituting the Note Collateral identified on **Schedule C** hereto.

"***Priority Lien***" means the Lien on the Priority Assets.

"***Proceeding***" means any voluntary or involuntary insolvency, bankruptcy, receivership, custodianship, liquidation, dissolution, reorganization, assignment for the benefit of creditors, appointment of a custodian, receiver, trustee or other officer with similar powers or any other proceeding for the liquidation, dissolution or other winding up of a Person.

"***Remediation Requirements***" mean those certain requirements for remediation of the 2005 Bonds to the extent arising from the ownership or use of Priority Assets financed or refinanced with proceeds of the 2005 Bonds, as set forth in the Tax Certificates executed in connection with the 2005 Bonds and as to any specific instance addressed in the opinion of Nationally Recognized Bond Counsel.

"St. Francis Deeds of Trust" means (a) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 3630 East Imperial Highway, Lynwood, California, dated as of December 28, 2017, executed by the Corporation on behalf of St. Francis Medical Center, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof; (b) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 2700 E. Slauson Avenue, Huntington Park, California, dated as of December 28, 2017, executed by the Corporation, on behalf of St. Francis Medical Center, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof; and (c) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 5953 Atlantic Blvd. (also known as 5931 and 5957 Atlantic Blvd, including surface parking), Maywood, California, dated as of December 28, 2017, executed by the Corporation, on behalf of St. Francis Medical Center, as trustor, in favor

of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Saint Louise Deed of Trust" means that certain Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 9400 No Name Uno, Gilroy, California, dated as of December 28, 2017, executed by the Corporation on behalf of Saint Louise Regional Hospital, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"2015 Note Documents" means the 2015 Notes, the 2015 Loan Agreements, the 2015 Indentures, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"2017 Note Documents" means the 2017 Notes, the 2017 Loan Agreement, the 2017 Indenture, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"2017B Note Documents" means the 2017B Notes, the 2017B Loan Agreement, the 2017B Indenture, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

2. Subordination.

2.1 **Subordination of Master Trustee's Lien to Priority Lien**. Each Party covenants and agrees, and the Master Trustee covenants and agrees, notwithstanding anything to the contrary contained in the Master Indenture or any of the documents related to the Master Indenture or as a matter of law, that in or outside of any Proceeding any Lien of the Master Trustee with respect to the property constituting Priority Assets shall be and is hereby expressly made subordinate, to the extent and in the manner hereinafter set forth, to the Lien of the Note Trustee in such Priority Assets (whether or not such Lien of the Note Trustee is a perfected Lien). Irrespective of the timing of such acquisition, each Note Holder shall be deemed to have acquired its Notes in reliance upon the provisions contained in this Agreement. Each Party, including the Note Trustee, covenants and agrees that notwithstanding the Priority Lien in the Priority Assets granted to the Note Trustee, the application of amounts subject to such Priority Lien shall be subject to the Remediation Requirements as set forth herein, and each Party, including the Master Trustee, covenants and agrees that the existence of the Remediation Requirements and the provisions hereof with respect thereto shall not in any manner affect the existence of a first Priority Lien to the Note Trustee in the Priority Assets and that any proceeds

of the Priority Assets or the Note Collateral that, in accordance with the terms hereof, are applied to the Remediation Requirements shall not be deemed to have been applied to or reduce in any manner the payment obligations of the Corporation or the Obligors under the Note Documents or the MTI Note Obligations. Without limiting the foregoing, notwithstanding the date, time, manner or order of grant, attachment or perfection of any Liens and security interests of the Master Trustee in the Note Collateral, until the principal of, interest on and premium, if any, on the Notes have been indefeasibly paid in full in cash, any Liens and security interests of the Master Trustee in the Note Collateral which may exist from time to time (whether the same exist on the date hereof or otherwise) shall be and hereby are subordinated for all purposes and in all respects to the Priority Liens and security interests of the Note Trustee in the Note Collateral.

2.2 **Incorrect Payments**. In the event that, notwithstanding the provisions of this Agreement, the Master Trustee receives any payment of any kind or character, whether in cash, property, or securities, in violation of the terms of this Agreement, such payment shall be delivered forthwith to the Note Trustee for application to the payment of the 2015 Notes, 2017 Notes or 2017B Notes, as applicable, to the extent necessary to pay or defease all 2015 Notes, 2017 Notes or 2017B Notes, as applicable, in full or otherwise held or applied pursuant to this Agreement. The Note Trustee is irrevocably authorized and appointed attorney-in-fact for the Master Trustee to supply any required endorsement or assignment. Until so delivered, any such payment or collateral shall be held by the Master Trustee in trust for the Note Trustee and shall not be commingled with other funds or property of the Master Trustee.

2.3 **No Contest of Priority Liens and Security Interests**. The Master Trustee, on behalf of itself and the Holders of all outstanding Obligations under the Master Indenture, agrees that it will not, and will not cause or support any other Person to, at any time contest, seek to avoid or subordinate the validity, perfection, priority, extent or enforceability of the Notes, the Note Documents, this Agreement or any Liens and security interests of the Note Trustee in the Note Collateral securing the Notes.

2.4 **Unconditional Subordination**. No action which the Note Trustee may take or omit to take in connection with any of the Note Documents or the MTI Note Obligations, any of the Notes, or any security therefor, and no course of dealing of the Note Trustee with any Obligor, the Master Trustee, or any other Person, shall release or diminish the Master Trustee's obligations, liabilities, agreements or duties hereunder, affect this Agreement in any way, or afford the Master Trustee any recourse against the Note Trustee, regardless of whether any such action or inaction may increase any risks to or liabilities of the Note Trustee, the Master Trustee or any Obligor or increase any risk to or diminish any safeguard of any security. Without limiting the foregoing, the Master Trustee hereby expressly agrees that the Note Trustee may, from time to time, without notice to or the consent of the Master Trustee:

i. amend, change or modify, in whole or in part, any one or more of the Note Documents and give or refuse to give any waivers or other indulgences with respect thereto;

ii. neglect, delay, fail, or refuse to take or prosecute any action for the collection or enforcement of any of the obligations of the Obligors under the Note Documents or the MTI Note Obligations, to (i) foreclose or take or prosecute any action in connection with the Note

Documents, (ii) bring suit against an Obligor or any other Person, or (iii) take any other action concerning the Notes, the Note Documents or the MTI Note Obligations;

iii. accelerate, change, rearrange, extend, or renew the time, terms, or manner for payment or performance of any one or more of the obligations of the Obligors under the Note Documents or the MTI Note Obligations;

iv. compromise or settle any unpaid or unperformed obligations of the Obligors under the Note Documents or the MTI Note Obligations;

v. take, exchange, amend, eliminate, surrender, release, or subordinate any or all security for any or all of the obligations of the Obligors under the Note Documents or the MTI Note Obligations, accept additional or substituted security therefor, or perfect or fail to perfect the Note Trustee's rights in any or all security;

vi. discharge, release, substitute or add obligors with respect to the obligations of the Obligors under the Note Documents or the MTI Note Obligations; and

vii. apply all monies received from the Authority, the Obligors or others, or from any security for any of the Note Documents, as the Note Trustee may determine to be in its best interest, without in any way being required to apply all or any part of such monies upon any particular Notes.

No change of law or circumstances shall release or diminish the Master Trustee's obligations, liabilities, agreements, or duties hereunder, affect this Agreement in any way, or afford the Master Trustee any recourse against the Note Trustee. Without limiting the foregoing, no obligations, liabilities, agreements, or duties of the Master Trustee under this Agreement shall be released, diminished, impaired, reduced, or affected by the occurrence of any of the following from time to time, even if occurring without notice to or without the consent of the Master Trustee:

i. any Proceeding or any discharge, impairment, modification, release, or limitation of the liability of, or stay of actions or lien enforcement proceedings against, any properties of any Obligor, or the estate in bankruptcy of any Obligor in the course of or resulting from any such Proceedings;

ii. the failure by the Note Trustee to file or enforce a claim in any Proceeding described in the immediately preceding clause (i) or to take any other action in any Proceeding to which any Obligor is a party;

iii. the release by operation of law of any Obligor from any of its obligations under the Note Documents or the MTI Note Obligations or any other obligations to the Note Trustee;

iv. the invalidity, deficiency, illegality, or unenforceability of any of the Note Documents or the obligations of the Obligors under the Note Documents or the MTI Note Obligations, in whole or in part, any bar by any statute of limitations or other law of recovery on any of the obligations of the Obligors under the Note Documents or the MTI Note Obligations,

or any defense or excuse for failure to perform on account of force majeure, act of God, casualty, impossibility, impracticability, or other defense or excuse whatsoever;

v. the failure of the Note Trustee or any other Person to sign any instrument or agreement; and

vi. without limiting any of the foregoing, any fact or event (whether or not similar to any of the foregoing) which in the absence of this provision would or might constitute or afford a legal or equitable discharge or release of or defense other than the actual payment of the obligations of the Obligors under the Note Documents or the MTI Note Obligations and the performance by the Master Trustee under this Agreement.

2.5 **Requirement of Notice**. The Master Trustee agrees to notify the Note Trustee promptly upon obtaining knowledge of the happening of any of the following: (i) the occurrence of any default or event of default under the Master Indenture; (ii) the waiver by the Master Trustee of any default or event of default under the Master Indenture; or (iii) the exercise of any remedies under the Master Indenture. The Note Trustee agrees to notify the Master Trustee promptly upon obtaining knowledge of the happening of any of the following: (i) the occurrence of any event of default under any of the Note Documents; (ii) the waiver by the Note Trustee of any event of default under any of the Note Documents; or (iii) the exercise of any remedies under the Note Documents. Failure to provide any notice required hereby shall not affect the subordination of the Master Trustee's Lien in the Priority Assets effected hereby.

3. Intercreditor Provisions.

3.1 **Marshaling and Similar Rights**. In foreclosing or realizing on any Priority Assets, the Note Trustee may proceed in any manner and in any order which the Note Trustee, in its sole discretion, shall choose, even though a higher price might have been realized if the Note Trustee had proceeded to foreclose or realize on its security interests in another manner or order. The Note Trustee shall not be required to marshal its claims against one or more assets securing the Notes.

3.2 **Rights of Note Trustee under the MTI Note Obligations**. The Note Trustee is the holder of MTI Note Obligations for all Notes and is entitled to enforce payment and performance of the MTI Note Obligations and to exercise all rights and powers given to it under any of the Note Documents.

3.3 **Specific Performance**. The Note Trustee is hereby authorized to demand specific performance of this Agreement at any time when the Master Trustee shall have failed to comply with any provision hereof. The Master Trustee hereby irrevocably waives any defenses based on the adequacy of a remedy at law which might be asserted as a bar to the action of the Note Trustee.

3.4 **No Duties**. The Master Trustee hereby agrees that (i) the Note Trustee shall not have any responsibility or duty to the Master Trustee with respect to any of the Priority Assets except for such duties as are imposed by law and which cannot be waived by agreement, and (ii) the Note Trustee shall be free to take or omit to take any and all such action with respect

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to the Priority Assets as it may so choose, without consent by the Master Trustee and without regard to or consideration of the interests of the Master Trustee or the holders of the 2005 Bonds.

4. Representations and Warranties.

4.1 **Representations and Warranties of Master Trustee.** The Master Trustee hereby represents and warrants to the Note Trustee that (a) it is a duly formed and validly existing national bank; (b) it has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (c) the execution of this Agreement by it will not violate or conflict with its organizational documents, the Master Indenture or any other material agreement binding upon it or any law, regulation or order or require any consent or approval which has not been obtained; and (d) this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles.

4.2 **Representations and Warranties of the Note Trustee.** The Note Trustee hereby represents and warrants to the Master Trustee that as of the date hereof: (a) it is a duly formed and validly existing national bank; (b) it has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (c) the execution of this Agreement by it will not violate or conflict with its organizational documents, any material agreement binding upon it or any law, regulation or order or require any consent or approval which has not been obtained; and (d) this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles.

5. Remediation Requirements. The Corporation and the Obligors hereby represent that (i) in the event of foreclosure, deed in lieu of foreclosure or other disposition or transfer of the St. Francis Medical Center property located at 3630 East Imperial Highway, Lynwood, CA to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3) using the applicable property in a manner that does not constitute unrelated business use, or private use, the amount of proceeds that may be required to be applied pursuant to the Remediation Requirements for the principal amount of the 2005 Bonds shall not exceed $68,000,000 plus outstanding interest on such allocable 2005 Bonds as of the date of Remediation, (ii) in the event of foreclosure, deed in lieu of foreclosure or other disposition or transfer of the Saint Louise Regional Hospital property located at 9400 No Name Uno, Gilroy, CA to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3), using the applicable property in a manner that does not constitute unrelated business use, or private use, the maximum amount of proceeds that may be required to be applied pursuant to the Remediation Requirements for the principal amount of the 2005 Bonds shall not exceed $5,500,000 plus outstanding interest on such allocable 2005 Bonds as of the date of Remediation, and (iii) there are no Remediation Requirements with respect to the properties located at 2700 E. Slauson Avenue, Huntington Park, CA and 5957 Atlantic Blvd., Maywood, CA. In the event of a foreclosure, deed in lieu of foreclosure or other disposition or transfer

described in clauses (i) or (ii) of the preceding sentence, the actual amount required to be applied to Remediation Requirements shall be as set forth in an opinion of Nationally Recognized Bond Counsel addressed to the Trustee for the 2005 Bonds (the "2005 Trustee") and the Note Trustee, but shall not exceed the maximum amounts set forth in the preceding sentence. Until the date of receipt by the 2005 Trustee and the Note Trustee of such an opinion setting forth the amount required to be applied to Remediation Requirements in the event the Note Trustee receives cash proceeds from such event or transaction, the Note Trustee agrees to segregate the lesser of such cash proceeds received under (i) or (ii), as applicable, or the amount referenced in clause (i) or (ii) above, as applicable (as applicable, the "***Potential Remediation Amounts***") and not to apply any Potential Remediation Amounts to the payment of the Notes or for any other purpose. Upon receipt of an opinion of Nationally Recognized Bond Counsel addressed to the 2005 Trustee and the Note Trustee stating that a specified amount of a Potential Remediation Amount must be applied to Remediation Requirements for the 2005 Bonds in order to preserve the tax-exemption of interest on the 2005 Bonds and when so applied will preserve the tax-exemption of interest on the 2005 Bonds, the Note Trustee shall transfer such specified amount of cash proceeds to the 2005 Trustee for application as required by such opinion of Nationally Recognized Bond Counsel, and the balance, if any, of such Potential Remediation Amounts thereafter may be applied by the Note Trustee without regard to the Remediation Requirements. The Note Trustee agrees that unless the Note Trustee and 2005 Trustee have received an opinion of Nationally Recognized Bond Counsel addressed to the Note Trustee and the 2005 Trustee stating that such action will not adversely affect the tax-exemption of interest on the 2015 Bonds, no foreclosure, deed in lieu of foreclosure or other disposition or transfer to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3) using the applicable property in a manner that does not constitute unrelated business use, or private use shall be consummated by the Note Trustee other than in a transaction in which the consideration received is exclusively cash within the meaning of 26 CFR 1.141-12(d)(2). The Note Trustee agrees that no foreclosure, deed in lieu of foreclosure or other disposition or transfer to an entity that is a non-federal governmental entity or an exempt entity under Section 501(c)(3) shall be consummated by the Note Trustee unless the Note Trustee and the 2005 Trustee have received an opinion of Nationally Recognized Bond Counsel addressed to the Note Trustee and the 2005 Trustee stating that either (a) anticipatory remedial action within the meaning of 26 CFR 1.141-12(d)(3) has occurred with respect to the 2005 Bonds, or the 2005 Trustee has received cash and instructions as to the application thereof to the redemption of 2005 Bonds in a manner that will constitute anticipatory remedial action within the meaning of 26 CFR 1.141-12(d)(3), such that the applicable foreclosure, deed in lieu of foreclosure or other disposition or transfer will not adversely affect the tax-exemption of interest on the 2005 Bonds irrespective of the subsequent use or ownership of the transferred property or (b) the applicable transferee has delivered covenants, with respect to which the 2005 Trustee is a third party beneficiary, as to the use and ownership of such property by such transferee and any further transferee thereof in a manner consistent with the preservation of the tax-exemption of interest on the 2005 Bonds.

6. **Entire Agreement; Modification**. This Agreement evidences the entire agreement of the parties regarding the ordering of interests set forth herein, and all prior oral discussions and writings are merged into this Agreement. Any modification or waiver of any provision of this Agreement, or any consent to any departure by any party from the terms hereof, shall not be effective in any event unless the same is in writing and signed by the Note Trustee, the Master Trustee and the Corporation, and then such modification, waiver or consent shall be

effective only in the specific instance and for the specific purpose given. Any notice to or demand on any party hereto in any event not specifically required hereunder shall not entitle the party receiving such notice or demand to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

7. **Further Assurances**. Each party to this Agreement will promptly execute and deliver such further instruments and agreements and do such further acts and things as may be reasonably requested in writing by any other party hereto that may be necessary or desirable in order to effect fully the purposes of this Agreement.

8. **Notices**. Unless otherwise specifically provided herein, any notice delivered under this Agreement shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier service or certified or registered United States mail and shall be deemed to have been given (a) if delivered in person, when delivered; (b) if delivered by telecopy or electronic mail, on the date of transmission if transmitted on a Business Day before 12:00 p.m. (California time) or, if not, on the next succeeding Business Day; (c) if delivered by overnight courier, one Business Day after delivery to such courier properly addressed; or (d) if by United States mail, four Business Days after deposit in the United States mail, postage prepaid and properly addressed.

Notices shall be addressed as follows:

If to the Master Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to (which shall not constitute notice):

U.S. Bank National Association
2300 W. Sahara, Suite 200
LM-NV-NFC2
Las Vegas, NV 89102
Attn: Global Corporate Trust Services

and to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
Attn: Len Weiser-Varon, Esq.

If to the Corporation or any Obligor:

Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, CA 94065
Attn: Chief Financial Officer

with copies to (which shall not constitute notice):

Squire Patton Boggs
275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

If to Note Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to (which shall not constitute notice):

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

or in any case, to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this Section 8.

9. **Successors and Assigns**. This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the Note Trustee, the Master Trustee, the Corporation or any other Obligor. To the extent permitted under the Note Documents, the Note Holders may, from time to time, without notice to the Master Trustee, assign or transfer any or all of the Notes or any interest therein to any Person and, notwithstanding any such assignment or transfer, or any subsequent assignment or transfer, the Notes shall, subject to the terms hereof, be and remain Notes for purposes of this Agreement, and every permitted assignee or transferee of any of the Notes or of any interest therein shall, to the extent of the interest of such permitted assignee or transferee in the Notes, be entitled to rely upon and be the third party beneficiary of the subordination provided under this Agreement and shall be entitled to enforce the terms and provisions hereof to the same extent as if such assignee or transferee were initially a party hereto. The 2005 Trustee, on behalf of the holders of the 2005 Bonds, shall be a third party beneficiary of Section 5 hereof, and neither such Section 5 nor this sentence shall be amended, modified or waived without the consent of the 2005 Trustee.

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10. Relative Rights. This Agreement shall define the relative rights of the Note Trustee on the one hand and the Master Trustee on the other hand. Nothing in this Agreement shall (a) impair, as among the Corporation, the Master Trustee and the Note Trustee and as between the Corporation and the Master Trustee, the obligation of the Corporation or any other Obligor with respect to the payment of the Notes in accordance with their respective terms or (b) affect the relative rights of the Note Trustee or the Master Trustee with respect to any other creditors of the Corporation.

11. No Waiver. Notwithstanding any other provision of this Agreement, nothing in this Agreement shall constitute a waiver of any rights any Holder may have, or any duties the Master Trustee may have, to direct or take any action permitted or required by the Master Indenture, in the event that any amendment, change or modification to any one or more of the Note Documents or any calculation of the amount described in subsection (m) or (q) of the defined term Permitted Lien causes any portion of the Priority Lien not to be a Permitted Lien.

12. Headings. The paragraph headings used in this Agreement are for convenience only and shall not affect the interpretation of any of the provisions hereof.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

14. Severability. In the event that any provision of this Agreement is deemed to be invalid, illegal or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court or governmental authority, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby, and the affected provision shall be modified to the minimum extent permitted by law so as most fully to achieve the intention of this Agreement.

15. Continuation of Subordination; Termination of Agreement. This Agreement is a continuing agreement of subordination pursuant to its terms and in accordance with Section 510(a) of the Bankruptcy Code and shall remain in full force and effect until (i) the indefeasible payment in full in cash of the principal of, interest on and premium, if any, on the Notes, and (ii) the documents and instruments evidencing the Notes have been terminated or performed, in each case in accordance with their respective terms after which this Agreement shall terminate without further action on the part of the parties hereto. The liability and obligations of the Master Trustee hereunder shall be reinstated and revived and the Note Trustee's rights shall continue, with respect to any amount at any time paid on account of the Notes which shall thereafter be required to be restored or returned by the Note Trustee in any Proceeding (including, without limitation, any repayment made pursuant to any provision of Chapter 11 of the Bankruptcy Code, or with respect to any fraudulent transfer or conveyance law), all as though such amount had not been paid. Master Trustee hereby acknowledges that the provisions of this Agreement are intended to be enforceable at all times, whether before or after the commencement of a Proceeding, and hereby waives any right it may have under applicable law to revoke this Agreement or any provisions hereof.

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16. **Applicable Law**. This Agreement shall be governed by and shall be construed and enforced in accordance with the internal laws of the State of California, without regard to conflicts of law principle, but giving effect to federal laws applicable to national banks.

17. **CONSENT TO JURISDICTION. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY CONSENTS TO THE JURISDICTION OF THE STATE COURTS OF THE STATE OF CALIFORNIA AND OF THE FEDERAL COURTS LOCATED IN CALIFORNIA AND IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE LITIGATED IN SUCH COURTS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREE THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON IT BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS AT THEIR RESPECTIVE ADDRESSES SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED.**

18. WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY LAW, EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE NOTE DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN ITS RELATED FUTURE DEALINGS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS WARRANTS AND REPRESENTS THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

19. **NO ORAL AGREEMENTS. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS AMONG THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS AMONG THE PARTIES.**

[*The Remainder of this Page Intentionally Left Blank*]

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IN WITNESS WHEREOF, the Note Trustee, the Master Trustee, the Corporation and each other Obligor have caused this Agreement to be executed as of the date first above written.

NOTE TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION
as Note Trustee

By: _____
Julia Hommel
Vice President

Vice President

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

20

MASTER TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION
as Master Trustee

By: _____
Julia Hommel
Vice President

(Signature Page to Intercreditor Agreement)

21

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public
personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

22

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a nonprofit corporation, on behalf of itself and each Obligor

By: _____
AKA TY H. CONNOR
Ty Conner
Vice President and Treasurer

(Signature Page to Intercreditor Agreement)

27

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* San Mateo)

On 12/20/17, 2017, before me, Matthew E. Hopper, Notary Public personally appeared Ty H. Comes who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by his ~~or her~~ signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

[Seal]

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SCHEDULE A

OBLIGORS

Verity Health System of California, Inc. (the "Corporation")

O'Connor Hospital

Saint Louise Regional Hospital

Seton Medical Center

St. Francis Medical Center

St. Vincent Medical Center

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SCHEDULE B

2015 LOAN AGREEMENTS

1.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $60,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015A, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

2.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015B, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

3.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $10,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015C (FEDERALLY TAXABLE), as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

4.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015D, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

2017 LOAN AGREEMENT

5.) Loan Agreement dated as of September 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017

2017B LOAN AGREEMENT

6.) Loan Agreement dated as of December 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017B

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SCHEDULE C

NOTE COLLATERAL

"Note Collateral" means:

(m) Accounts of:

St. Francis Medical Center
St. Vincent Medical Center
O'Connor Hospital
Saint Louise Regional Hospital
Seton Medical Center including Seton Coastside

(q) Real property located at, and personal property located at, used in connection with or otherwise described in the St. Francis Deeds of Trust and Saint Louise Deed of Trust, respectively, as to the following Property the aggregate Book Value of which Property secured by said Deeds of Trust and created or permitted to exist pursuant to clause (q) of the definition of Permitted Liens shall not exceed 20% of the aggregate Book Value of all Property of the Obligated Group:

St. Francis Medical Center

- 3630 East Imperial Highway, Lynwood, CA
- 2700 E. Slauson Avenue, Huntington Park, CA
- 5953 Atlantic Blvd., Maywood, CA (also known as 5931 and 5957 Atlantic Blvd., including surface parking)

Saint Louise Regional Hospital

- 9400 No Name Uno, Gilroy, CA

SCHEDULE D

MASTER TRUST INDENTURE NOTE OBLIGATIONS

2015 MTI Obligations

Master Trust Indenture Obligation No. 16 in the amount of $60,000,000

Master Trust Indenture Obligation No. 17 in the amount of $45,000,000

Master Trust Indenture Obligation No. 18 in the amount of $10,000,000

Master Trust Indenture Obligation No. 19 in the amount of $45,000,000

2017 MTI Obligation

Master Trust Indenture Obligation No. 21 in the amount of $21,000,000

2017B MTI Obligation

Master Trust Indenture Obligation No. 22 in the amount of $21,000,000

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SCHEDULE E

SECURITY AGREEMENTS

1. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of O'Connor Hospital, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

2. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Saint Louise Regional Hospital, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

3. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Seton Medical Center, and U.S. Bank National Association, as Trustee; as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

4. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Seton Coastside, a division of Seton Medical Center, and U.S. Bank National Association, as Trustee; as assignee under the Loan Agreement between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2017B Notes.

5. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of St. Francis Medical Center, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

6. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of St. Vincent Medical Center, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

****This document was electronically submitted to Santa Clara County for recording****

23838073

RECORDING REQUESTED BY:
Chicago Title Company - C/I
Order No.: FWPS-TO17001505

When Recorded Mail Document To:

Attn: Catrina C. Cohn, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, California 94111

Regina Alcomendras
Santa Clara County - Clerk-Recorder
12/28/2017 01:55 PM

Titles: 1 Pages: 28
Fees: $106.00
Tax: $0
Total: $106.00

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
(Additional recording fee applies)

RECORDING REQUESTED BY:
Chicago Title Company - C/I
Order No.: FWPS-TO17001505

When Recorded Mail Document To:

Attn: Catrina C. Cohn, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, California 94111

THIS DOCUMENT HAS BEEN ELECTRONICALLY RECORDED. SEE THE ATTACHED COVER PAGE FOR RECORDING INFORMATION

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
(Additional recording fee applies)

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

Attn: Catrina C. Cohn, Esq.
Squire Patton Boggs (US) LLP
275 Battery St., Suite 2600
San Francisco, CA 94111

SPACE ABOVE THIS LINE FOR RECORDER'S USE

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

THIS SECOND AMENDED AND RESTATED **INTERCREDITOR AGREEMENT** (this "***Agreement***") entered into as of December 1, 2017 amends and restates the Amended and Restated Intercreditor Agreement, dated as of September 1, 2017, recorded in Los Angeles County as Instrument Number 20171060070 on September 18, 2017 at 8:00 a.m. (the "First Amended and Restated Intercreditor Agreement"), which amended and restated the Intercreditor Agreement, dated as of December 1, 2015 recorded in Los Angeles County as Instrument Number 20151573372 on December 15, 2015 at 8:00 a.m. and recorded in Santa Clara County as Instrument Number 23173258 on December 16, 2015 at 8:00 a.m., by and among Verity Health System of California, Inc., a nonprofit public benefit corporation incorporated under the laws of the State of California ("the "***Corporation***"), on behalf of itself and each Obligated Group Member listed on the attached **Schedule A** (each, an "***Obligor***" and collectively, the "***Obligors***"), U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (together with any successor thereto in any such capacity, the "***Note Trustee***") under (i) the Indentures, dated as of December 1, 2015 (as they may be supplemented and amended in accordance with their terms, the "***2015 Indentures***") with respect to the 2015 Notes (as defined below), (ii) the Indenture, dated as of September 1, 2017 (as it may be supplemented and amended in accordance with its terms, the "***2017 Indenture***"), with respect to the 2017 Notes (defined below), and (iii) the Indenture, dated as of December 1, 2017 (as it may be supplemented and amended in accordance with its terms, the "***2017B Indenture***" and, together with the 2015 Indentures and the 2017 Indenture, the "***Note Indentures***") with respect to the 2017B Notes (as defined below), each between the Note Trustee and the California Public Finance Authority (the "***Authority***"), and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as master trustee (together with its successors in such capacity, the "***Master Trustee***") pursuant to the Master Indenture of Trust, dated as of December 1, 2001 (as supplemented and amended in accordance with its terms, the "***Master Indenture***"), between the Corporation, the Initial Members (as defined therein) and the Master Trustee.

RECITALS

A. The Authority and the Corporation have entered into four Loan Agreements as identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2015 Loan Agreements***") with respect to the Series 2015A Notes in the original principal amount of $60 Million (the "***2015A Notes***"), the Series 2015B Notes in the original principal amount of $45 Million (the "***2015B Notes***"), the Series 2015C Notes in the original principal amount of $10 Million (the "***2015C Notes***"), and the Series 2015D Notes in the original principal amount of $45 Million (the "***2015D Notes***", and collectively, the "***2015 Notes***") and one Loan Agreement as identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2017 Loan Agreement***") with respect to the Series 2017 Notes in the original principal amount of $21 Million (the "***2017 Notes***") and are expected to enter into one Loan Agreement identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2017B Loan Agreement***" and, together with the 2015 Loan Agreements and 2017 Loan Agreement, the "***Loan Agreements***") with respect to the 2017B Notes in the original

principal amount of $21 Million (the "***2017B Notes***" and, together with the 2015 Notes and the 2017 Notes, the "***Notes***"), pursuant to which, among other things, the Authority has made or has agreed to make, subject to the terms and conditions set forth in the Loan Agreements, loans and financial accommodations to the Corporation to be used for refinancing, working capital and other purposes for each Obligor and certain affiliates. All of the Corporation's Obligations (as defined in the Loan Agreements) are secured by liens on and security interests in certain property of the Corporation and the Obligors (the "***Note Collateral***") as set forth in **Schedule C**, and are further secured by certain obligations (the "***MTI Note Obligations***") issued under the Master Indenture pursuant to the Supplemental Master Indentures for the MTI Note Obligations as set forth in **Schedule D**.

B. The Obligors listed in **Schedule C** entered into Security Agreements with the Note Trustee, dated as of December 14, 2015 in connection with the 2015 Notes and amended and restated those Security Agreements, dated as of September 1, 2017 in connection with, and to include, the 2017 Notes, and amended and restated those Security Agreements, dated as of December 1, 2017 in connection with, and to include, the 2017B Notes (as the same may be amended, restated, supplemented or otherwise modified from time to time as permitted hereunder, the "***Security Agreements***") as set forth in **Schedule E**. All of the Corporation's obligations pursuant to the Loan Agreements are secured by the accounts receivable of the Obligors listed on **Schedule C**.

C. The Corporation, on behalf of each of St. Francis Medical Center and Saint Louise Regional Hospital have executed and delivered the St. Francis Deeds of Trust and the Saint Louise Deed of Trust, respectively, on certain of their respective real and personal property as set forth in **Schedule C** and have delivered to the Note Trustee Subordination Agreements executed by the Master Trustee relating to the Master Trustee's liens on such real and personal property. All of the Corporation's obligations pursuant to the Loan Agreements are secured by these Deeds of Trust on a senior lien basis in accordance with the related Subordination Agreements.

D. The Note Collateral (as defined in **Schedule C**) was granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2015 Loan Agreements. The purchasers of the 2015 Notes (the "***2015 Holders***") required the execution and delivery of the Original Agreement by the Master Trustee, the 2015 Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee and Master Trustee under the 2015 Note Documents (as defined below) and the Master Indenture.

E. The Note Collateral (as defined in **Schedule C**) was granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2017 Loan Agreement. The purchasers of the 2017 Notes (the "***2017 Holders***") required the execution and delivery of the First Amended and Restated Intercreditor Agreement by the Master Trustee, the Note Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee, as trustee for the holders of the 2015 Notes and the 2017 Notes, and Master Trustee under the Note Documents (as defined below) and the Master Indenture.

F. The Note Collateral (as defined in **Schedule C**) is granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2017B Loan Agreement. The purchasers of the 2017B Notes (the ***"2017B Holders"*** and, together with the 2015 Holders and the 2017 Holders, the ***"Note Holders"***) required the execution and delivery of this Agreement by the Master Trustee, the Note Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee, as trustees for the holders of the 2015 Notes, the 2017 Notes and the 2017B Notes, and Master Trustee under the Note Documents (as defined below) and the Master Indenture.

G. The 2015 MTI Obligations have been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2015 Trustee for the benefit of the 2015 Holders as additional security for the obligations of the Corporation under the 2015 Loan Agreements; the 2017 MTI Obligation has been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2017 Trustee for the benefit of the 2017 Holders as additional security for the obligations of the Corporation under the 2017 Loan Agreement; and the 2017B MTI Obligation has been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2017B Trustee for the benefit of the 2017B Holders as additional security for the obligations of the Corporation under the 2017B Loan Agreement. Pursuant to the MTI Note Obligations and the Master Indenture, the MTI Note Obligations are secured under the Master Indenture on equal rank without preference, priority or distinction of any Obligation issued under the Master Indenture over any other such Obligations (the ***"MTI Collateral"***). The MTI Collateral includes a pledge of the Gross Revenues (as defined in the Master Indenture) of the Obligated Group which includes accounts receivable.

H. Pursuant to Section 5.01(B) of each of the 2015 Indenture and the 2017 Indenture, the Authority has assigned to the 2015 Trustee or 2017 Trustee, as applicable, for the benefit of the Holders from time to time of the respective Notes, its security interest in the Note Collateral which has been pledged to the Authority to support the obligations of the Corporation in the 2015 Loan Agreements and the 2017 Loan Agreement, as applicable.

I. As of the issuance of the 2017B Notes, the Obligations Outstanding under the Master Indenture secure the repayment of: (i) the 2005A Bonds in the outstanding principal amount of $246,345,000, the 2005G Bonds in the outstanding principal amount of $10,855,000, the 2005H Bonds in the outstanding principal amount of $8,985,000 (total outstanding principal amount of 2005 Bonds is $266,185,000) (collectively, the "2005 Bonds"), (ii) the 2015 Notes, (iii) the 2017 Notes, and (iv) the 2017B Notes.

J. The 2005 Bonds are subject, under certain circumstances, to certain Remediation Requirements pursuant to the provisions of the Internal Revenue Code as indicated in the Tax Certificates for the 2005 Bonds. In the event of an action which results in the need for a remediation of certain outstanding 2005 Bonds, the Authority or the Corporation will seek an opinion of Nationally Recognized Bond Counsel as to what application of the amount of proceeds of any sale or disposition of the applicable property financed by the 2005 Bonds is required in connection with the applicable change in use of any bond financed property. The 2005 Bonds are callable at par as of July 1, 2015.

K. The Master Indenture contains certain covenants as to Additional Indebtedness (Sec 3.05) and Against Encumbrances (Sec 3.04).

L. The 2015 Notes and the 2017 Notes were, and the 2017B Notes are, issued as Additional Indebtedness in accordance with the provisions of Sec 3.05(d) of the Master Indenture as certified by the Chief Financial Officer of the Corporation.

M. The liens supporting the 2015 Notes and the 2017 Notes were, and the liens supporting the 2017B Notes are, granted as Permitted Liens: 1) pursuant to subsection (m) of the defined term Permitted Liens as to the grant of liens on accounts receivable as certified by the Vice President and Treasurer of the Corporation; and 2) pursuant to subsection (q) of the defined term Permitted Liens as to the Deeds of Trust and the security interest in the Property related thereto as certified by the Vice President and Treasurer of the Corporation.

N. Pursuant to Section 3.04(d) of the Master Indenture, the Master Trustee is directed to execute and deliver a reasonably requested subordination in connection with the grant of a Permitted Lien.

NOW, THEREFORE, in order to induce the 2017B Holders to purchase the 2017B Notes and the Note Trustee and the Authority to consummate the transactions contemplated by the 2017B Loan Agreement, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

1. **Definitions**.

(a) As used herein, capitalized terms shall have the meanings given to them in the Loan Agreements, the Indentures, the Master Indenture, the Security Agreements, the Deeds of Trust and the Subordination Agreements executed in connection with the Deeds of Trust, except as otherwise defined herein or as the context otherwise requires.

(b) Any term used in the Uniform Commercial Code as adopted in the State of California, as it may hereafter be amended (***"UCC"***) and not defined in this Agreement or in the documents set forth in subsection (a) above has the meaning given to the term in the UCC.

"Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time, and any successor statute and all rules and regulations promulgated thereunder.

"Deeds of Trust" means, collectively, the St. Francis Deeds of Trust and the Saint Louise Deed of Trust.

"Lien" means any lien, security interest, pledge, bailment, mortgage, hypothecation, deed of trust, conditional sales and title retention agreement (including any lease in the nature thereof), charge, encumbrance or other similar arrangement or interest in real or personal property, now owned or hereafter acquired, whether such interest is based on common law, statute or contract.

"***Nationally Recognized Bond Counsel***" means Squire Patton Boggs (US) LLP or any other bond counsel firm with a national reputation for delivering opinions with respect to the tax-exemption of interest on municipal bonds for federal income tax purposes that is retained by the Corporation or the Authority for the purpose of rendering an opinion as to Remediation Requirements.

"***Note Documents***" means, collectively, the 2015 Note Documents, the 2017 Note Documents and the 2017B Note Documents, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"***Person***" means any natural person, corporation, general or limited partnership, limited liability company, firm, trust, association, government, governmental agency or other entity, whether acting in an individual, fiduciary or other capacity.

"***Priority Assets***" means the assets constituting the Note Collateral identified on **Schedule C** hereto.

"***Priority Lien***" means the Lien on the Priority Assets.

"***Proceeding***" means any voluntary or involuntary insolvency, bankruptcy, receivership, custodianship, liquidation, dissolution, reorganization, assignment for the benefit of creditors, appointment of a custodian, receiver, trustee or other officer with similar powers or any other proceeding for the liquidation, dissolution or other winding up of a Person.

"***Remediation Requirements***" mean those certain requirements for remediation of the 2005 Bonds to the extent arising from the ownership or use of Priority Assets financed or refinanced with proceeds of the 2005 Bonds, as set forth in the Tax Certificates executed in connection with the 2005 Bonds and as to any specific instance addressed in the opinion of Nationally Recognized Bond Counsel.

"St. Francis Deeds of Trust" means (a) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 3630 East Imperial Highway, Lynwood, California, dated as of December 28, 2017, executed by the Corporation on behalf of St. Francis Medical Center, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof; (b) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 2700 E. Slauson Avenue, Huntington Park, California, dated as of December 28, 2017, executed by the Corporation, on behalf of St. Francis Medical Center, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof; and (c) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 5953 Atlantic Blvd. (also known as 5931 and 5957 Atlantic Blvd, including surface parking), Maywood, California, dated as of December 28, 2017, executed by the Corporation, on behalf of St. Francis Medical Center, as trustor, in favor

of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Saint Louise Deed of Trust" means that certain Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 9400 No Name Uno, Gilroy, California, dated as of December 28, 2017, executed by the Corporation on behalf of Saint Louise Regional Hospital, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"2015 Note Documents" means the 2015 Notes, the 2015 Loan Agreements, the 2015 Indentures, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"2017 Note Documents" means the 2017 Notes, the 2017 Loan Agreement, the 2017 Indenture, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"2017B Note Documents" means the 2017B Notes, the 2017B Loan Agreement, the 2017B Indenture, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

2. Subordination.

2.1 **Subordination of Master Trustee's Lien to Priority Lien**. Each Party covenants and agrees, and the Master Trustee covenants and agrees, notwithstanding anything to the contrary contained in the Master Indenture or any of the documents related to the Master Indenture or as a matter of law, that in or outside of any Proceeding any Lien of the Master Trustee with respect to the property constituting Priority Assets shall be and is hereby expressly made subordinate, to the extent and in the manner hereinafter set forth, to the Lien of the Note Trustee in such Priority Assets (whether or not such Lien of the Note Trustee is a perfected Lien). Irrespective of the timing of such acquisition, each Note Holder shall be deemed to have acquired its Notes in reliance upon the provisions contained in this Agreement. Each Party, including the Note Trustee, covenants and agrees that notwithstanding the Priority Lien in the Priority Assets granted to the Note Trustee, the application of amounts subject to such Priority Lien shall be subject to the Remediation Requirements as set forth herein, and each Party, including the Master Trustee, covenants and agrees that the existence of the Remediation Requirements and the provisions hereof with respect thereto shall not in any manner affect the existence of a first Priority Lien to the Note Trustee in the Priority Assets and that any proceeds

of the Priority Assets or the Note Collateral that, in accordance with the terms hereof, are applied to the Remediation Requirements shall not be deemed to have been applied to or reduce in any manner the payment obligations of the Corporation or the Obligors under the Note Documents or the MTI Note Obligations. Without limiting the foregoing, notwithstanding the date, time, manner or order of grant, attachment or perfection of any Liens and security interests of the Master Trustee in the Note Collateral, until the principal of, interest on and premium, if any, on the Notes have been indefeasibly paid in full in cash, any Liens and security interests of the Master Trustee in the Note Collateral which may exist from time to time (whether the same exist on the date hereof or otherwise) shall be and hereby are subordinated for all purposes and in all respects to the Priority Liens and security interests of the Note Trustee in the Note Collateral.

2.2 **Incorrect Payments**. In the event that, notwithstanding the provisions of this Agreement, the Master Trustee receives any payment of any kind or character, whether in cash, property, or securities, in violation of the terms of this Agreement, such payment shall be delivered forthwith to the Note Trustee for application to the payment of the 2015 Notes, 2017 Notes or 2017B Notes, as applicable, to the extent necessary to pay or defease all 2015 Notes, 2017 Notes or 2017B Notes, as applicable, in full or otherwise held or applied pursuant to this Agreement. The Note Trustee is irrevocably authorized and appointed attorney-in-fact for the Master Trustee to supply any required endorsement or assignment. Until so delivered, any such payment or collateral shall be held by the Master Trustee in trust for the Note Trustee and shall not be commingled with other funds or property of the Master Trustee.

2.3 **No Contest of Priority Liens and Security Interests**. The Master Trustee, on behalf of itself and the Holders of all outstanding Obligations under the Master Indenture, agrees that it will not, and will not cause or support any other Person to, at any time contest, seek to avoid or subordinate the validity, perfection, priority, extent or enforceability of the Notes, the Note Documents, this Agreement or any Liens and security interests of the Note Trustee in the Note Collateral securing the Notes.

2.4 **Unconditional Subordination**. No action which the Note Trustee may take or omit to take in connection with any of the Note Documents or the MTI Note Obligations, any of the Notes, or any security therefor, and no course of dealing of the Note Trustee with any Obligor, the Master Trustee, or any other Person, shall release or diminish the Master Trustee's obligations, liabilities, agreements or duties hereunder, affect this Agreement in any way, or afford the Master Trustee any recourse against the Note Trustee, regardless of whether any such action or inaction may increase any risks to or liabilities of the Note Trustee, the Master Trustee or any Obligor or increase any risk to or diminish any safeguard of any security. Without limiting the foregoing, the Master Trustee hereby expressly agrees that the Note Trustee may, from time to time, without notice to or the consent of the Master Trustee:

i. amend, change or modify, in whole or in part, any one or more of the Note Documents and give or refuse to give any waivers or other indulgences with respect thereto;

ii. neglect, delay, fail, or refuse to take or prosecute any action for the collection or enforcement of any of the obligations of the Obligors under the Note Documents or the MTI Note Obligations, to (i) foreclose or take or prosecute any action in connection with the Note

Documents, (ii) bring suit against an Obligor or any other Person, or (iii) take any other action concerning the Notes, the Note Documents or the MTI Note Obligations;

iii. accelerate, change, rearrange, extend, or renew the time, terms, or manner for payment or performance of any one or more of the obligations of the Obligors under the Note Documents or the MTI Note Obligations;

iv. compromise or settle any unpaid or unperformed obligations of the Obligors under the Note Documents or the MTI Note Obligations;

v. take, exchange, amend, eliminate, surrender, release, or subordinate any or all security for any or all of the obligations of the Obligors under the Note Documents or the MTI Note Obligations, accept additional or substituted security therefor, or perfect or fail to perfect the Note Trustee's rights in any or all security;

vi. discharge, release, substitute or add obligors with respect to the obligations of the Obligors under the Note Documents or the MTI Note Obligations; and

vii. apply all monies received from the Authority, the Obligors or others, or from any security for any of the Note Documents, as the Note Trustee may determine to be in its best interest, without in any way being required to apply all or any part of such monies upon any particular Notes.

No change of law or circumstances shall release or diminish the Master Trustee's obligations, liabilities, agreements, or duties hereunder, affect this Agreement in any way, or afford the Master Trustee any recourse against the Note Trustee. Without limiting the foregoing, no obligations, liabilities, agreements, or duties of the Master Trustee under this Agreement shall be released, diminished, impaired, reduced, or affected by the occurrence of any of the following from time to time, even if occurring without notice to or without the consent of the Master Trustee:

i. any Proceeding or any discharge, impairment, modification, release, or limitation of the liability of, or stay of actions or lien enforcement proceedings against, any properties of any Obligor, or the estate in bankruptcy of any Obligor in the course of or resulting from any such Proceedings;

ii. the failure by the Note Trustee to file or enforce a claim in any Proceeding described in the immediately preceding clause (i) or to take any other action in any Proceeding to which any Obligor is a party;

iii. the release by operation of law of any Obligor from any of its obligations under the Note Documents or the MTI Note Obligations or any other obligations to the Note Trustee;

iv. the invalidity, deficiency, illegality, or unenforceability of any of the Note Documents or the obligations of the Obligors under the Note Documents or the MTI Note Obligations, in whole or in part, any bar by any statute of limitations or other law of recovery on any of the obligations of the Obligors under the Note Documents or the MTI Note Obligations,

or any defense or excuse for failure to perform on account of force majeure, act of God, casualty, impossibility, impracticability, or other defense or excuse whatsoever;

v. the failure of the Note Trustee or any other Person to sign any instrument or agreement; and

vi. without limiting any of the foregoing, any fact or event (whether or not similar to any of the foregoing) which in the absence of this provision would or might constitute or afford a legal or equitable discharge or release of or defense other than the actual payment of the obligations of the Obligors under the Note Documents or the MTI Note Obligations and the performance by the Master Trustee under this Agreement.

2.5 **Requirement of Notice**. The Master Trustee agrees to notify the Note Trustee promptly upon obtaining knowledge of the happening of any of the following: (i) the occurrence of any default or event of default under the Master Indenture; (ii) the waiver by the Master Trustee of any default or event of default under the Master Indenture; or (iii) the exercise of any remedies under the Master Indenture. The Note Trustee agrees to notify the Master Trustee promptly upon obtaining knowledge of the happening of any of the following: (i) the occurrence of any event of default under any of the Note Documents; (ii) the waiver by the Note Trustee of any event of default under any of the Note Documents; or (iii) the exercise of any remedies under the Note Documents. Failure to provide any notice required hereby shall not affect the subordination of the Master Trustee's Lien in the Priority Assets effected hereby.

3. Intercreditor Provisions.

3.1 **Marshaling and Similar Rights**. In foreclosing or realizing on any Priority Assets, the Note Trustee may proceed in any manner and in any order which the Note Trustee, in its sole discretion, shall choose, even though a higher price might have been realized if the Note Trustee had proceeded to foreclose or realize on its security interests in another manner or order. The Note Trustee shall not be required to marshal its claims against one or more assets securing the Notes.

3.2 **Rights of Note Trustee under the MTI Note Obligations**. The Note Trustee is the holder of MTI Note Obligations for all Notes and is entitled to enforce payment and performance of the MTI Note Obligations and to exercise all rights and powers given to it under any of the Note Documents.

3.3 **Specific Performance**. The Note Trustee is hereby authorized to demand specific performance of this Agreement at any time when the Master Trustee shall have failed to comply with any provision hereof. The Master Trustee hereby irrevocably waives any defenses based on the adequacy of a remedy at law which might be asserted as a bar to the action of the Note Trustee.

3.4 **No Duties**. The Master Trustee hereby agrees that (i) the Note Trustee shall not have any responsibility or duty to the Master Trustee with respect to any of the Priority Assets except for such duties as are imposed by law and which cannot be waived by agreement, and (ii) the Note Trustee shall be free to take or omit to take any and all such action with respect

to the Priority Assets as it may so choose, without consent by the Master Trustee and without regard to or consideration of the interests of the Master Trustee or the holders of the 2005 Bonds.

4. Representations and Warranties.

4.1 **Representations and Warranties of Master Trustee.** The Master Trustee hereby represents and warrants to the Note Trustee that (a) it is a duly formed and validly existing national bank; (b) it has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (c) the execution of this Agreement by it will not violate or conflict with its organizational documents, the Master Indenture or any other material agreement binding upon it or any law, regulation or order or require any consent or approval which has not been obtained; and (d) this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles.

4.2 **Representations and Warranties of the Note Trustee.** The Note Trustee hereby represents and warrants to the Master Trustee that as of the date hereof: (a) it is a duly formed and validly existing national bank; (b) it has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (c) the execution of this Agreement by it will not violate or conflict with its organizational documents, any material agreement binding upon it or any law, regulation or order or require any consent or approval which has not been obtained; and (d) this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles.

5. Remediation Requirements. The Corporation and the Obligors hereby represent that (i) in the event of foreclosure, deed in lieu of foreclosure or other disposition or transfer of the St. Francis Medical Center property located at 3630 East Imperial Highway, Lynwood, CA to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3) using the applicable property in a manner that does not constitute unrelated business use, or private use, the amount of proceeds that may be required to be applied pursuant to the Remediation Requirements for the principal amount of the 2005 Bonds shall not exceed $68,000,000 plus outstanding interest on such allocable 2005 Bonds as of the date of Remediation, (ii) in the event of foreclosure, deed in lieu of foreclosure or other disposition or transfer of the Saint Louise Regional Hospital property located at 9400 No Name Uno, Gilroy, CA to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3), using the applicable property in a manner that does not constitute unrelated business use, or private use, the maximum amount of proceeds that may be required to be applied pursuant to the Remediation Requirements for the principal amount of the 2005 Bonds shall not exceed $5,500,000 plus outstanding interest on such allocable 2005 Bonds as of the date of Remediation, and (iii) there are no Remediation Requirements with respect to the properties located at 2700 E. Slauson Avenue, Huntington Park, CA and 5957 Atlantic Blvd., Maywood, CA. In the event of a foreclosure, deed in lieu of foreclosure or other disposition or transfer

described in clauses (i) or (ii) of the preceding sentence, the actual amount required to be applied to Remediation Requirements shall be as set forth in an opinion of Nationally Recognized Bond Counsel addressed to the Trustee for the 2005 Bonds (the "2005 Trustee") and the Note Trustee, but shall not exceed the maximum amounts set forth in the preceding sentence. Until the date of receipt by the 2005 Trustee and the Note Trustee of such an opinion setting forth the amount required to be applied to Remediation Requirements in the event the Note Trustee receives cash proceeds from such event or transaction, the Note Trustee agrees to segregate the lesser of such cash proceeds received under (i) or (ii), as applicable, or the amount referenced in clause (i) or (ii) above, as applicable (as applicable, the "***Potential Remediation Amounts***") and not to apply any Potential Remediation Amounts to the payment of the Notes or for any other purpose. Upon receipt of an opinion of Nationally Recognized Bond Counsel addressed to the 2005 Trustee and the Note Trustee stating that a specified amount of a Potential Remediation Amount must be applied to Remediation Requirements for the 2005 Bonds in order to preserve the tax-exemption of interest on the 2005 Bonds and when so applied will preserve the tax-exemption of interest on the 2005 Bonds, the Note Trustee shall transfer such specified amount of cash proceeds to the 2005 Trustee for application as required by such opinion of Nationally Recognized Bond Counsel, and the balance, if any, of such Potential Remediation Amounts thereafter may be applied by the Note Trustee without regard to the Remediation Requirements. The Note Trustee agrees that unless the Note Trustee and 2005 Trustee have received an opinion of Nationally Recognized Bond Counsel addressed to the Note Trustee and the 2005 Trustee stating that such action will not adversely affect the tax-exemption of interest on the 2015 Bonds, no foreclosure, deed in lieu of foreclosure or other disposition or transfer to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3) using the applicable property in a manner that does not constitute unrelated business use, or private use shall be consummated by the Note Trustee other than in a transaction in which the consideration received is exclusively cash within the meaning of 26 CFR 1.141-12(d)(2). The Note Trustee agrees that no foreclosure, deed in lieu of foreclosure or other disposition or transfer to an entity that is a non-federal governmental entity or an exempt entity under Section 501(c)(3) shall be consummated by the Note Trustee unless the Note Trustee and the 2005 Trustee have received an opinion of Nationally Recognized Bond Counsel addressed to the Note Trustee and the 2005 Trustee stating that either (a) anticipatory remedial action within the meaning of 26 CFR 1.141-12(d)(3) has occurred with respect to the 2005 Bonds, or the 2005 Trustee has received cash and instructions as to the application thereof to the redemption of 2005 Bonds in a manner that will constitute anticipatory remedial action within the meaning of 26 CFR 1.141-12(d)(3), such that the applicable foreclosure, deed in lieu of foreclosure or other disposition or transfer will not adversely affect the tax-exemption of interest on the 2005 Bonds irrespective of the subsequent use or ownership of the transferred property or (b) the applicable transferee has delivered covenants, with respect to which the 2005 Trustee is a third party beneficiary, as to the use and ownership of such property by such transferee and any further transferee thereof in a manner consistent with the preservation of the tax-exemption of interest on the 2005 Bonds.

6. **Entire Agreement; Modification**. This Agreement evidences the entire agreement of the parties regarding the ordering of interests set forth herein, and all prior oral discussions and writings are merged into this Agreement. Any modification or waiver of any provision of this Agreement, or any consent to any departure by any party from the terms hereof, shall not be effective in any event unless the same is in writing and signed by the Note Trustee, the Master Trustee and the Corporation, and then such modification, waiver or consent shall be

effective only in the specific instance and for the specific purpose given. Any notice to or demand on any party hereto in any event not specifically required hereunder shall not entitle the party receiving such notice or demand to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

7. **Further Assurances**. Each party to this Agreement will promptly execute and deliver such further instruments and agreements and do such further acts and things as may be reasonably requested in writing by any other party hereto that may be necessary or desirable in order to effect fully the purposes of this Agreement.

8. **Notices**. Unless otherwise specifically provided herein, any notice delivered under this Agreement shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier service or certified or registered United States mail and shall be deemed to have been given (a) if delivered in person, when delivered; (b) if delivered by telecopy or electronic mail, on the date of transmission if transmitted on a Business Day before 12:00 p.m. (California time) or, if not, on the next succeeding Business Day; (c) if delivered by overnight courier, one Business Day after delivery to such courier properly addressed; or (d) if by United States mail, four Business Days after deposit in the United States mail, postage prepaid and properly addressed.

Notices shall be addressed as follows:

If to the Master Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to (which shall not constitute notice):

U.S. Bank National Association
2300 W. Sahara, Suite 200
LM-NV-NFC2
Las Vegas, NV 89102
Attn: Global Corporate Trust Services

and to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
Attn: Len Weiser-Varon, Esq.

If to the Corporation or any Obligor:

Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, CA 94065
Attn: Chief Financial Officer

with copies to (which shall not constitute notice):

Squire Patton Boggs
275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

If to Note Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to (which shall not constitute notice):

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

or in any case, to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this Section 8.

9. **Successors and Assigns**. This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the Note Trustee, the Master Trustee, the Corporation or any other Obligor. To the extent permitted under the Note Documents, the Note Holders may, from time to time, without notice to the Master Trustee, assign or transfer any or all of the Notes or any interest therein to any Person and, notwithstanding any such assignment or transfer, or any subsequent assignment or transfer, the Notes shall, subject to the terms hereof, be and remain Notes for purposes of this Agreement, and every permitted assignee or transferee of any of the Notes or of any interest therein shall, to the extent of the interest of such permitted assignee or transferee in the Notes, be entitled to rely upon and be the third party beneficiary of the subordination provided under this Agreement and shall be entitled to enforce the terms and provisions hereof to the same extent as if such assignee or transferee were initially a party hereto. The 2005 Trustee, on behalf of the holders of the 2005 Bonds, shall be a third party beneficiary of Section 5 hereof, and neither such Section 5 nor this sentence shall be amended, modified or waived without the consent of the 2005 Trustee.

10. Relative Rights. This Agreement shall define the relative rights of the Note Trustee on the one hand and the Master Trustee on the other hand. Nothing in this Agreement shall (a) impair, as among the Corporation, the Master Trustee and the Note Trustee and as between the Corporation and the Master Trustee, the obligation of the Corporation or any other Obligor with respect to the payment of the Notes in accordance with their respective terms or (b) affect the relative rights of the Note Trustee or the Master Trustee with respect to any other creditors of the Corporation.

11. No Waiver. Notwithstanding any other provision of this Agreement, nothing in this Agreement shall constitute a waiver of any rights any Holder may have, or any duties the Master Trustee may have, to direct or take any action permitted or required by the Master Indenture, in the event that any amendment, change or modification to any one or more of the Note Documents or any calculation of the amount described in subsection (m) or (q) of the defined term Permitted Lien causes any portion of the Priority Lien not to be a Permitted Lien.

12. Headings. The paragraph headings used in this Agreement are for convenience only and shall not affect the interpretation of any of the provisions hereof.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

14. Severability. In the event that any provision of this Agreement is deemed to be invalid, illegal or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court or governmental authority, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby, and the affected provision shall be modified to the minimum extent permitted by law so as most fully to achieve the intention of this Agreement.

15. Continuation of Subordination; Termination of Agreement. This Agreement is a continuing agreement of subordination pursuant to its terms and in accordance with Section 510(a) of the Bankruptcy Code and shall remain in full force and effect until (i) the indefeasible payment in full in cash of the principal of, interest on and premium, if any, on the Notes, and (ii) the documents and instruments evidencing the Notes have been terminated or performed, in each case in accordance with their respective terms after which this Agreement shall terminate without further action on the part of the parties hereto. The liability and obligations of the Master Trustee hereunder shall be reinstated and revived and the Note Trustee's rights shall continue, with respect to any amount at any time paid on account of the Notes which shall thereafter be required to be restored or returned by the Note Trustee in any Proceeding (including, without limitation, any repayment made pursuant to any provision of Chapter 11 of the Bankruptcy Code, or with respect to any fraudulent transfer or conveyance law), all as though such amount had not been paid. Master Trustee hereby acknowledges that the provisions of this Agreement are intended to be enforceable at all times, whether before or after the commencement of a Proceeding, and hereby waives any right it may have under applicable law to revoke this Agreement or any provisions hereof.

16. Applicable Law. This Agreement shall be governed by and shall be construed and enforced in accordance with the internal laws of the State of California, without regard to conflicts of law principle, but giving effect to federal laws applicable to national banks.

17. **CONSENT TO JURISDICTION. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY CONSENTS TO THE JURISDICTION OF THE STATE COURTS OF THE STATE OF CALIFORNIA AND OF THE FEDERAL COURTS LOCATED IN CALIFORNIA AND IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE LITIGATED IN SUCH COURTS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREE THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON IT BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS AT THEIR RESPECTIVE ADDRESSES SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED.**

18. WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY LAW, EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE NOTE DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN ITS RELATED FUTURE DEALINGS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS WARRANTS AND REPRESENTS THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

19. **NO ORAL AGREEMENTS. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS AMONG THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS AMONG THE PARTIES.**

[*The Remainder of this Page Intentionally Left Blank*]

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a nonprofit corporation, on behalf of itself and each Obligor

By: _____
Ty Conner
Vice President and Treasurer

(Signature Page to Intercreditor Agreement)

IN WITNESS WHEREOF, the Note Trustee, the Master Trustee, the Corporation and each other Obligor have caused this Agreement to be executed as of the date first above written.

NOTE TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION
as Note Trustee

By: _____
Julia Hommel
Vice President

Vice President

(Signature Page to Intercreditor Agreement)

MASTER TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION
as Master Trustee

By: _____
Julia Hommel
Vice President

(Signature Page to Intercreditor Agreement)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* San Mateo)

On 12/20/17, 2017, before me, Matthew E. Hopper, Notary Public personally appeared Ty H. Comer, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that ~~she~~ he executed the same in ~~her~~ his authorized capacity, and that by ~~his or her~~ his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

[Seal]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public
personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public
personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

SCHEDULE A

OBLIGORS

Verity Health System of California, Inc. (the "Corporation")

O'Connor Hospital

Saint Louise Regional Hospital

Seton Medical Center

St. Francis Medical Center

St. Vincent Medical Center

SCHEDULE B

2015 LOAN AGREEMENTS

1.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $60,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015A, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

2.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015B, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

3.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $10,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015C (FEDERALLY TAXABLE), as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

4.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015D, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

2017 LOAN AGREEMENT

5.) Loan Agreement dated as of September 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017

2017B LOAN AGREEMENT

6.) Loan Agreement dated as of December 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017B

SCHEDULE C

NOTE COLLATERAL

"Note Collateral" means:

(m) Accounts of:

St. Francis Medical Center
St. Vincent Medical Center
O'Connor Hospital
Saint Louise Regional Hospital
Seton Medical Center including Seton Coastside

(q) Real property located at, and personal property located at, used in connection with or otherwise described in the St. Francis Deeds of Trust and Saint Louise Deed of Trust, respectively, as to the following Property the aggregate Book Value of which Property secured by said Deeds of Trust and created or permitted to exist pursuant to clause (q) of the definition of Permitted Liens shall not exceed 20% of the aggregate Book Value of all Property of the Obligated Group:

St. Francis Medical Center

- 3630 East Imperial Highway, Lynwood, CA
- 2700 E. Slauson Avenue, Huntington Park, CA
- 5953 Atlantic Blvd., Maywood, CA (also known as 5931 and 5957 Atlantic Blvd., including surface parking)

Saint Louise Regional Hospital

- 9400 No Name Uno, Gilroy, CA

SCHEDULE D

MASTER TRUST INDENTURE NOTE OBLIGATIONS

2015 MTI Obligations

Master Trust Indenture Obligation No. 16 in the amount of $60,000,000

Master Trust Indenture Obligation No. 17 in the amount of $45,000,000

Master Trust Indenture Obligation No. 18 in the amount of $10,000,000

Master Trust Indenture Obligation No. 19 in the amount of $45,000,000

2017 MTI Obligation

Master Trust Indenture Obligation No. 21 in the amount of $21,000,000

2017B MTI Obligation

Master Trust Indenture Obligation No. 22 in the amount of $21,000,000

SCHEDULE E

SECURITY AGREEMENTS

1. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of O'Connor Hospital, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

2. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Saint Louise Regional Hospital, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

3. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Seton Medical Center, and U.S. Bank National Association, as Trustee; as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

4. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Seton Coastside, a division of Seton Medical Center, and U.S. Bank National Association, as Trustee; as assignee under the Loan Agreement between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2017B Notes.

5. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of St. Francis Medical Center, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

6. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of St. Vincent Medical Center, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

EXHIBIT H

This page is part of your document - DO NOT DISCARD

20171518977

Recorded/Filed in Official Records
Recorder's Office, Los Angeles County,
California

12/29/17 AT 08:00AM

Pages:
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FEES:	132.00
TAXES:	0.00
OTHER:	0.00
PAID:	132.00

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DAR - Title Company (Hard Copy)

THIS FORM IS NOT TO BE DUPLICATED

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20171518977

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

CHICAGO TITLE COMPANY
COMMERCIAL DIVISION

Attn: Robyn Helmlinger, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, California 94111

This document is exempt from filing fees under California Government Code § 6103 and § 27383.
No documentary transfer tax per California Revenue and Taxation Code § 11921.

Property Address: 3630 East Imperial Highway, Lynwood, CA

APN 6173-021-008, 007, 006

APN 6173-021-006, 007 & 008

SECOND AMENDED AND RESTATED DEED OF TRUST WITH FIXTURE FILING AND SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS

This SECOND AMENDED AND RESTATED DEED OF TRUST WITH FIXTURE FILING AND SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS (the **"Deed of Trust"**) made as of December 14, 2015, recorded as Instrument Number 20151573377 on December 15, 2015 at 8:00 a.m., and amended and restated as of September 15, 2017, recorded as Instrument Number 20171060064 on September 18, 2017 at 8:00 a.m, and amended and restated as of December 28, 2017, by ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation (the **"Trustor"**), to CHICAGO TITLE INSURANCE COMPANY (the **"Trustee"**), as trustee hereunder for the benefit of U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America (the **"Beneficiary"**), in the capacity as trustee under those four certain indentures by and between the California Public Finance Authority (the **"Authority"**) and the Beneficiary as such trustee, dated as of December 1, 2015 (collectively, as amended, modified, and amended and restated from time to time, the **"2015 Indentures"**) relating to four separate note issuances in the respective amounts of $60,000,000 (the **"Series 2015A Notes"**); $45,000,000 (the **"Series 2015B Notes"**); $10,000,000 (the **"Series 2015C Notes"**); and $45,000,000 (the **"Series 2015D Notes"**); and that certain indenture by and between the Authority and the Beneficiary as such trustee, dated as of September 1, 2017 (as amended, modified, and amended and restated from time to time, the **"2017 Indenture"**), relating to the note issuance in the amount of $21,000,000 (the **"Series 2017 Notes"**); and that certain indenture by and between the Authority and the Beneficiary as such trustee, dated as of December 1, 2017 (as amended, modified, and amended and restated from time to time, the **"2017B Indenture"** and together with the 2017 Indenture and the 2015 Indentures, the **"Indentures"**), relating to a note issuance in the aggregate amount of $21,000,000 (the **"Series 2017B Notes"**). This Deed of Trust will secure the 2015 Notes, the 2017 Notes, and the 2017B

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Notes (collectively, as amended, modified, and amended and restated from time to time, the **"Notes"**). This Deed of Trust also secures the payment and other obligations of Verity Health System of California, Inc. (the **"Corporation"**), the Trustor's sole member, the Trustor and the Trustor's affiliates that are members of the Obligated Group under the Master Indenture (defined below) under and with respect to the four Loan Agreements, dated as of December 1, 2015, the Loan Agreement, dated as of September 1, 2017, and the Loan Agreement, dated as of December 1, 2017, each between the Authority and the Corporation pursuant to which the Authority has loaned to the Corporation the proceeds of the Notes (collectively, as amended, modified, and amended and restated from time to time, the **"Loan Agreements"**); the Authority's rights under the Loan Agreements have been assigned by the Authority to the Beneficiary in its capacity as trustee for the Notes.

THIS DEED OF TRUST WITNESSETH:

Section 1. **Grant in Trust**

Subject to the terms and conditions contained in that certain Amended and Restated Intercreditor Agreement, dated as of December 1, 2017 (the "Intercreditor Agreement") by and among the Beneficiary, in its respective capacities as Master Trustee (as defined below) and as trustee under the Indentures, and the Corporation, the Trustor irrevocably grants, transfers and absolutely, unconditionally and irrevocably assigns to the Beneficiary, in trust, with power of sale and right of entry and possession, the entire right, title and interest of Trustor in and to that certain real property (**"Land"**) situated in Los Angeles County, State of California (the **"County"**), and more particularly described in **Exhibit A** attached hereto and made a part hereof, all right, title and interest that the Trustor otherwise now has or may hereafter acquire in the Land, together with all right, title and interest that the Trustor now has or may hereafter acquire in:

(i) All buildings, structures, improvements, fixtures, equipment and appurtenances now and hereafter owned, constructed, located, erected, installed or affixed by or on behalf of the Trustor upon or appurtenant to the Land and all replacements and substitutions therefor (**"Facilities"**);

(ii) All appurtenances, improvements, easements, pipes, transmission lines or wires and other rights used in connection with the Land or as a means of access thereto, whether now or hereafter owned or constructed or placed upon or in the Land or Facilities (**"Appurtenances"**);

(iii) All equipment, machinery, goods and other personal property of the Trustor, whether movable or not, if the same is (a) now owned or hereafter acquired by the Trustor, (b) now or hereafter located at or used in connection with the Facilities, (c) financed with the proceeds of Obligations or (d) obtained in order to satisfy the obligations of the Corporation or any other obligor under or with respect to the Indentures or the Loan Agreements, and all improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor, including, without limitation, all machinery, equipment, material, furnishings and appliances for generation or distribution of air, water, heat, electricity, light, fuel or refrigeration, for purposes of ventilation,

sanitation or drainage, for exclusion of vermin or insects, for removal or disposal of dust, refuse or garbage; all elevators, awnings, window coverings, floor covering, laundry equipment, kitchen equipment, cabinets, furniture and furnishings; all fixed and moveable equipment now or hereafter installed or placed upon or in the Land or Facilities for use in health care, treatment, diagnosis and services or for other health care uses; the products and proceeds from any and all such property; all the estate, interest, right, title, property or other claim or demand of every nature whatsoever, in and to such property, including specifically, but without limitation, all deposits made with or other security given to utility companies by the Trustor with respect to such property and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire (**"Equipment"**);

(iv) All leases, subleases, licenses, occupancy agreements and tenancies of any kind with respect to the Land, Facilities, Appurtenances and Equipment (collectively, the **"Leases"**);

(v) All rentals or other payments which may now or hereafter accrue or otherwise become payable under the Leases to or for the benefit of the Trustor together with all other income, rents, revenues, issues, profits, lease guarantees, letters of credit, reserves and royalties produced by the Land, Facilities, Appurtenances and Equipment or by all management or service contracts or other contracts affecting the Property, including but not limited to security deposits (collectively, the **"Rents"**);

(vi) All earnings, products, damages, indemnifications, insurance proceeds and any other proceeds from any and all of such Land, Facilities, Appurtenances, Equipment, Inventory (defined below), Leases and Rents including specifically, but without limitation, all deposits made with or other security given to utility companies and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire, including all advance payments of insurance premiums made by the Trustor with respect thereto (**"Proceeds"**); and

(vii) All right, title and. interest of the Trustor in all the Trustor's inventory, raw materials, work in process, finished goods and goods held for sale or lease or furnished under contracts of service, and all returned and repossessed goods, and all goods covered by documents of title, including warehouse receipts, bills of lading and all other documents of every type covering all or any part of the Property, now owned or hereafter acquired, whether held by the Trustor or any third party, which is located on, appurtenant to, relating to, or used by or useful in connection with the Property (**"Inventory"**).

All of the above referenced Land, Facilities, Appurtenances, Equipment, Leases, Rents, Proceeds and Inventory as hereby conveyed to the Trustee or made subject to the security interest herein described is collectively referred to herein as the **"Property"**.

Pursuant to a master indenture of trust, dated as of December 1, 2001 (as may be amended, modified and supplemented, from time to time, the **"Master Indenture"**), between the Corporation, which is the sole corporate member of O'Connor Hospital, Saint Louise Regional

Hospital, Seton Medical Center, St. Francis Medical Center and St. Vincent Medical Center, each a California nonprofit religious corporation, and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as master trustee (the **"Master Trustee"**), and supplemental master indentures for Obligation Nos. 16, 17, 18 and 19, dated as of December 1, 2015, a supplemental master indenture for Obligation No. 21, dated as of September 1, 2017, and a supplemental master indenture for Obligation No. 22, dated as of December 1, 2017, each between the Corporation, as Obligated Group Representative, and the Master Trustee, the Corporation has issued its Obligation Nos. 16, 17, 18, 19, 21, and 22 to evidence the obligation of the Members (each as defined in the Master Indenture) to make payments sufficient to pay the principal of and interest on, and mandatory purchase price (if applicable) with respect to, the Series 2015A Notes, the Series 2015B Notes, the Series 2015C Notes, the Series 2015D Notes, the Series 2017 Notes, and Series 2017B Notes.

At the time that this Deed of Trust is recorded in the County but subsequent thereto, a separate subordination agreement of even date herewith by and between the Master Trustee and the Trustor (the **"Subordination Agreement"**) will be recorded as well. It is the intent of the parties to the Subordination Agreement that this Deed of Trust, when recorded in the County, shall be deemed to be a lien that is prior in right and time of payment to any deed of trust lien or lien on personal property or fixtures that are currently held by the Master Trustee under the Master Indenture. The Subordination Agreement is intended to provide that the lien of this Deed of Trust and any security interests granted under a separate agreement, will be all that is required to effectuate the superiority of the lien hereof over and above the lien of the deed of trust held by the Master Trustee which currently is a first lien on the Property. It is the further intent of the parties hereto, as well as the Master Trustee, that the Subordination Agreement will be in full force and effect as to any the security that is to be given for all four series of the Notes regardless of the dates that any of the series are actually closed and funded.

The Subordination Agreement is and shall continue to be subject to the provisions of the Intercreditor Agreement.

FOR THE PURPOSE OF SECURING:

Section 2. **Obligations**

(a) Payment of all Loan Repayments (as such term is defined in the Indentures) and other payments required under the Loan Agreements, including without limitation payment of the purchase price of Notes subject to mandatory purchase pursuant to the terms of the Indenture;

(b) Performance of each and every obligation, covenant and agreement of the Corporation, Trustor, and the Trustor's affiliates that are members of the Obligated Group under the. Master Indenture, contained in the Loan Agreements and payment of all amounts due to the Trustee under the Indentures; and

(c) Performance of each and every obligation, covenant and agreement of the Trustor contained in this Deed of Trust.

The foregoing obligations are hereinafter sometimes referred to as the **"Deed of Trust Obligations"**.

THIS DEED OF TRUST FURTHER WITNESSETH:

Section 3. **Security Agreement and Fixture Filing**

This Deed of Trust shall also constitute a security agreement and the Trustor hereby pledges and grants to the Beneficiary a security interest in and to all of the Property not constituting real property under the laws of the State of California (**"Personal Property"**), whether Trustor now or hereafter obtains an interest in such Personal Property and all the proceeds or products thereof, including but not limited to all of those items listed in **Exhibit B** attached hereto and made a part hereof. Upon any Event of Default of the Trustor hereunder, the Beneficiary shall be entitled to exercise with respect to all such collateral all of the rights and remedies set forth herein, in the Indentures or Loan. Agreements or otherwise afforded to a secured party in default under the terms of Division 9 of the California Uniform Commercial Code, any or all of which may be pursued and exercised concurrently, consecutively, alternatively or otherwise. The Trustor will execute one or more supplemental security agreements and cause to be completed and filed or the Beneficiary may cause to be completed and filed such financing statements as the Beneficiary may from time to time require, covering any property now or hereafter constituting a portion of the Property and otherwise the collateral securing the indebtedness secured hereunder and such financing statements and other and further assurances as the Beneficiary may request to perfect or evidence the security interest herein created (which shall cover all proceeds and products of collateral), including but not limited to, UCC-1 Financing Statements (which shall contain the description of collateral attached as **Exhibit B**) and UCC Continuation Statements.

The Trustor will pay all costs of filing any financing, continuation or termination statements with respect to the security interest created by this Deed of Trust; and the Beneficiary is hereby appointed the Trustor's attorney-in-fact to do, at the Beneficiary's option and at the Trustor's expense, all acts and things which the Beneficiary may deem necessary to perfect and continue perfected the security interest created by this Deed of Trust and to protect the Property. The Beneficiary may execute, sign, endorse, transfer or deliver, in the name of the Trustor, notes, checks, drafts or other instruments for the payment of money and receipts, certificates of origin, certificates of title, applications for certificates of title, or any other documents necessary to evidence, perfect or realize upon the security interests and secured indebtedness created or secured by this Deed of Trust, this authority shall be considered a power coupled with an interest and shall be irrevocable until all the indebtedness secured hereby shall have been paid in full.

This Deed of Trust constitutes a Financing Statement filed as a fixture filing in the Official Records of the County Recorder of the County in which the property is located with respect to any and all Fixtures (as defined by the Uniform Commercial Code), included within the term "Property" as used in this Deed of Trust and with respect to any goods or other Personal Property that may now be or hereafter become such Fixtures. The address of Beneficiary, from which information concerning the security interest granted hereunder may be obtained is:

U.S. Bank National Association

633 W 5th Street, 24th Floor
Los Angeles, CA 90071

All references in this Deed of Trust to Uniform Commercial Code shall be to the Uniform Commercial Code, as enacted in the State of California.

Section 4. **Absolute Assignment; Assignment of Leases and Rents**

The Trustor hereby absolutely, unconditionally and irrevocably assigns to the Beneficiary the Leases and the absolute right to collect the Rents. The Beneficiary authorizes the Trustor, prior to any default in the payment of any indebtedness secured hereby or in the performance of any covenant or obligation hereunder without notice, to collect and use all such Rents as they become due and payable and to exercise all rights under the Leases if not otherwise restricted under the Indentures or Loan Agreements. The foregoing assignment shall not impose upon the Beneficiary any duty to produce Rents from the Property or cause the Beneficiary to be a "mortgagee in possession" for any purpose.

Except as otherwise permitted under the Indentures or Loan Agreements, the Trustor agrees that it will not amend, modify, change or waive, or consent to any amendment, modification, change or waiver of, any term or provision of the Leases without the prior written consent of the Beneficiary.

The Trustor agrees that it will take all steps and do all things necessary to keep and maintain the Leases in full force and effect and will enforce or cause to be enforced all and singular the provisions thereof, and bring and prosecute or cause to be prosecuted any and all suits, actions and proceedings necessary to enforce compliance with all of the terms, provisions and covenants thereof. If, in the reasonable opinion of the Beneficiary, the Trustor has failed, or is about to fail, to take suitable action to enforce the Leases or any guaranty thereof or to first preserve any rights or remedies thereunder, the Beneficiary, after giving five (5) days' written notice to the Trustor, may, but is not required to, take such action as it shall deem appropriate, in its own name or in the name of the Trustor for the use and benefit of the Beneficiary, to enforce the Leases and to preserve any rights or remedies thereunder, and all costs and expenses incurred by the Beneficiary in taking any such action, shall be payable on demand and shall constitute part of the secured indebtedness hereunder.

Section 5. **Events of Default and Acceleration**

(a) Event of Default. An "Event of Default" under this Deed of Trust shall mean (i) a default in the payment of any of the Deed of Trust Obligations as same becomes due and payable after any applicable notice and cure period, as set forth in the agreement creating the applicable obligation, (ii) failure to observe or perform any other terms, covenants or agreements under this Deed of Trust beyond any applicable notice and cure periods set forth elsewhere herein (and, if no specific cure period or time for performance is specified elsewhere herein, a notice and cure period of twenty (20) days shall apply), or the breach of any representation or warranty of Trustor hereunder, and (iii) the occurrence of an "Event of Default" under, and as defined in, the Indentures and the Loan Agreements including any amendments, modifications and supplements thereto, from time to time.

(b) Acceleration. In the event of any Event of Default under this Deed of Trust or under any other agreements secured hereby, the Beneficiary shall have the option of declaring the unpaid balance owing under the Indentures or Loan Agreements and any other sums secured hereby immediately due and payable as provided in the Indentures or Loan Agreements.

Section 6. **Covenants of the Trustor**

For the purpose of protecting and preserving the security of this Deed of Trust, the Trustor promises and agrees to do the following:

(a) (1) to take all action necessary to keep the Property at all times entirely free of dry rot, fungus, termites, beetles and all other wood-boring, wood-eating, harmful or destructive insects, and in all respects properly to care for and keep all of the Property, including all such buildings, structures and other improvements, in good condition and repair, ordinary wear and tear excepted;

(2) to complete promptly and in good and businesslike manner any building or other improvements which may be constructed on the Land, to promptly restore in like manner (to the extent permitted by law) any Facilities which may be damaged or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefor, provided that the Trustor shall not be required to pay any such claim if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in a manner reasonably satisfactory to the Trustee;

(3) to comply with all laws, ordinances, regulations, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements to be made thereon, including without limitation any environmental law;

(4) not to commit or permit (to the extent within its control) any waste, and not to permit any deterioration of, nor abandon, the Property;

(5) not to commit, suffer or permit (to the extent within its control) any act to be done in or upon the Property in violation of any law or ordinance if such act might have consequences that would adversely affect the financial condition, assets, properties or operation of the Trustor;

(6) not to cause nor permit (to the extent within its control) any building, structure or improvement or other property now or hereafter covered by the lien of this Deed of Trust and comprising part of the Property to be removed or demolished or structurally changed or altered, except as permitted hereunder or under the Indentures, the Loan Agreements, or any other agreements secured hereby (including any amendments, modifications and supplements thereto, from time to time), in whole or in part, or any fixture comprising part of the Property to be removed, severed or destroyed, without the prior written consent of the Beneficiary and the Trustee. Simultaneously with, or prior to, any such permitted removal, any such fixtures shall be replaced with other fixtures to perform the function of the fixtures removed and of a value at least equal to that of the fixtures replaced and free from any title retention or

security agreement or other encumbrance. By such removal and replacement, the Trustor shall be deemed to have subjected such fixtures to the lien of this Deed of Trust;

(7) except in the necessary and ordinary course of its business not, without the prior written consent of the Beneficiary and Trustee, to enter into any lease, license or tenancy of any kind for the whole or any material part of the Property. All such leases, licenses or tenancies entered into hereafter shall be subordinate to this Deed of Trust and shall, at the written request of Beneficiary, contain a covenant on the part of the tenant, enforceable by Beneficiary, obligating such tenant, upon an uncured Event of Default hereunder and notice by Beneficiary, to attorn to and become a tenant of Beneficiary or any purchaser from Trustee or through foreclosure of this Deed of Trust, for the unexpired term of, and subject to the terms and conditions of, such future lease agreements and shall require tenant to enter into agreements with Beneficiary to affirm such obligations of tenant.

(b) to provide and maintain casualty and any other Insurance as required by the Loan Agreements and the Master Indenture, which insurance shall provide for the Trustee to be the loss payee;

(c) to appear in and defend any action or proceeding affecting or purporting to affect the security or the first priority lien of this Deed of Trust, any additional or other security for any of the Deed of Trust Obligations secured hereby, or the interest, rights, powers, or duties of the Trustee or the Beneficiary hereunder, it being agreed, however, that in the case of an action or proceeding against the Trustee or the Beneficiary, said Trustee or Beneficiary, at its option, may appear in and defend any such action or proceeding and, in addition, it being agreed that the Trustee or Beneficiary may commence any action or proceeding deemed necessary by it to perfect, maintain or protect such interest, rights, powers or duties, all in such manner and to such extent as it may determine in its sole discretion to be appropriate, and the Trustee or Beneficiary is authorized to pay, purchase or compromise on behalf of the Trustor any encumbrance or claim which in its judgment appears or purports to affect the security hereof or to be superior hereto; to pay all costs and expenses, including costs of evidence of title and attorney's fees in a reasonable sum, in any above-described action or proceedings in which the Beneficiary or the Trustee may appear;

(d) (1) to pay, and submit to the Beneficiary, at least five (5) days before default or delinquency, a receipt or other evidence of payment, or certified copy thereof, evidencing payment of all taxes and assessments affecting the Property, and any accrued interest, cost or penalty thereon, provided that the Trustor shall not be required to pay any such tax or assessment if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in a manner reasonably satisfactory to the Beneficiary;

(2) to pay when due all encumbrances (including any debt secured by deed of trust), ground rents, liens or charges, with interest, on the Property or any part thereof which appear to be prior or superior hereto, and to pay immediately and in full all such encumbrances, rents, liens or charges, if any, which may now be due or payable; provided that the Trustor shall not be required to pay any such encumbrances, rent, lien or charge if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in manner satisfactory to the Beneficiary;

(3) to pay when due all costs, fees and expenses of these trusts, including costs of evidence of title and the Trustee's fees in connection with sale, whether completed or not, which amounts shall become due upon delivery to the Trustee of declaration of default and demand for sale, as hereinafter provided;

(e) to pay immediately and without demand all reasonable and necessary sums expended or expense incurred by the Trustee or by the Beneficiary to enforce the terms of the Trust, including attorneys' fees, under any of the terms of this Deed of Trust, with interest from date of expenditure at the rate of ten percent (10%) per annum; and

(f) (1) to ensure that the Property shall be and remain in full compliance with all Federal, State and local environmental, health, safety and welfare laws and regulations, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), Public Law No. 96-510, 94 Stat. 2767, and the Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law No. 99-499, 100 Stat, 1613 ("Environmental Laws");

(2) to operate, and use commercially reasonable efforts to cause any of its tenants or occupants to operate, the Property in compliance with all Environmental Laws and further will not generate, manufacture, refine, produce, store, handle, transfer, process, transport or dispose of hazardous substances (as defined by CERCLA), as now in effect or as hereafter from time to time may be amended), Hazardous Wastes (as defined by the Resource Conservation and Recovery Act (RCRA), 42 U.S.C.A. § 6903(5), as now in effect or as hereafter from time to time may be amended), oils, radioactive materials, asbestos in any form or condition, or any pollutant or contaminant or hazardous, dangerous or toxic chemicals, materials or substances within the meaning of any other Environmental Laws, regulation, ordinance or requirements relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or materials, all as now in effect or hereafter from time to time may be amended (all of which are hereafter collectively referred to as "Hazardous Substances"), except to the extent required for the usual and lawful operation of the Property, and then strictly in accordance with Environmental Laws.

Section 7. **Acceptance Not Waiver**

By accepting payment of any sum secured hereby after its due date, neither the Trustee nor the Beneficiary shall be deemed to have waived its right either to require prompt payment when due of all other sums so secured or to declare default as herein provided for failure so to pay.

Section 8. **Conveyance, Easements, Subordination, Releases**

To the extent expressly permitted under the Indentures or the Loan Agreements, at any time, or from time to time, upon written request by the Beneficiary or Trustor, upon presentation of this Deed of Trust, and without affecting the liability of any Person for payment of the indebtedness secured hereby or the priority of lien created by this Deed of Trust upon the remainder of the Property, the Trustee shall reconvey any part of the Property, consent in writing to the making of any map or plat thereof, execute releases, join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

Section 9. **Right of Entry for Inspection**

The Trustee and the Beneficiary are each authorized, by themselves or their agents or workers, in a reasonable manner such as not to interfere with the Trustor's business in a materially adverse manner and, prior to an Event of Default, after giving notice to enter during reasonable business hours (or at any other time agreeable to the Trustor) to enter upon any part of the Property for the purpose of inspecting the same.

Section 10. **Entry, Possession, Operation of Property**

(a) Upon the occurrence of an Event of Default, the Trustee or the Beneficiary, in its sole discretion, and without releasing the Trustor from any obligation hereof, is authorized to do and may do any of the following:

(1) make any such payment or do any such act in such manner and to such extent as it may deem necessary to protect the security hereof, the Trustee and the Beneficiary being authorized to enter upon the Property for such purposes;

(2) pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which in the judgment of the Trustee or the Beneficiary may affect or appear to affect the security of this Deed of Trust, the interest of the Beneficiary or the rights, powers or duties of the Trustee or the Beneficiary hereunder;

(3) either by itself or by its agents, receiver, commissioner or other officer appointed by it for that purpose, enter into and upon and take and hold possession of any or all of the Property, exclude the Trustor and all other persons therefrom, and operate, store, use, maintain and manage the Property, and rent and lease the same and collect any and all rents, issues, income and profits therefrom, and from time to time apply the same or accumulate the same for application, in such order and manner as the Trustee or the Beneficiary in its sole discretion shall consider advisable, to the following: costs of collecting the same, including the Trustee's reasonable fees in so doing; the necessary and proper costs of upkeep, maintenance, repair, and operation of the Property; the repayment of any sums theretofore or thereafter advanced pursuant to the terms of this Deed of Trust; the interest and principal then due or next to become due upon any Deed of Trust Obligations; and the taxes and assessments upon the Property then due or next to become due. In the event the Trustee or the Beneficiary demands or attempts to take possession of the Property in the exercise of any rights under any of this Deed of Trust, the Trustor promises and agrees to promptly turn over and deliver complete possession thereof to the Trustee and the Beneficiary;

(4) commence an action to foreclose this Deed of Trust (either judicially or non-judicially, in accordance with law), appoint a receiver, specifically enforce any of the covenants hereof, or sell the Property pursuant to the power of sale herein conferred either personally or by means of a court appointed receiver;

(5) exercise any other rights or remedies which may now or hereafter be available to the Trustee or Beneficiary under this Deed of Trust, the Indentures, the Loan Agreements or any other document or instrument, or at law, in equity or by statute.

(b) The collection or receipt of Rents from the Property by the Trustee or the Beneficiary after declaration of default and election to cause the Property to be sold under and pursuant to the terms of this Deed of Trust shall not affect or impair such default or declaration of default or election to cause the Property to be sold or any sale proceedings predicated thereon, but such proceedings may be conducted and sale effected notwithstanding the receipt or collection of any such Rents. Any such Rents in the possession of the Trustee or the Beneficiary at the time of sale and not theretofore applied as herein provided, shall be applied in the same manner and for the same purposes as the proceeds of the sale.

(c) The Trustee and the Beneficiary shall not be under any obligation to make any of the payments or do any of the acts above mentioned, but, upon election so to do, employment of an attorney is authorized and payment of such attorney's fees and of all other necessary expenditures is hereby secured.

(d) No remedy herein conferred upon or reserved to the Trustee or the Beneficiary is intended to be exclusive of any other remedy given hereunder. Every power or remedy given by this Deed of Trust, the Indentures and the Loan Agreements to the Trustee and the Beneficiary, or to which the Trustee and the Beneficiary may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee and the Beneficiary. No delay by Trustee or Beneficiary in exercising any such right or remedy shall operate as a waiver of any Event of Default or preclude the exercise of any such remedy during the continuance of that or any subsequent Event of Default.

Section 11. **Power of Sale**

(a) Should an Event of Default have occurred and be continuing, the Trustee, upon written request by the Beneficiary, shall declare all sums secured hereby immediately due and payable.

(b) Having so declared, the Trustee shall provide and record such notices of default and of the election to cause the Property or any part of it to be sold as are required by law.

(c) The Trustee, upon written request by the Beneficiary, from time to time before the Trustee's sale, may rescind any such notice of default and of election to cause to be sold the Property and may execute a written notice of such a rescission, which notice, when recorded, shall also constitute a cancellation of arty prior declaration of default and demand for sale. The exercise of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring or impair the right of the Beneficiary to execute and deliver to the Trustee, as above provided, other requests for notices of default and of election to cause to be sold the Property to satisfy the Deed of Trust Obligations, nor otherwise affect any provision, covenant or condition of this Deed of Trust or any of the rights, obligations or remedies of the parties hereunder.

(d) Not less than the time then required by law having elapsed after recordation of notice of default, without demand on the Trustor, the Trustee, having first given notice of sale as then required by law, shall sell the Property in the manner provided by law at

the time and place of sale fixed by it in the notice of sale, provided that the Trustee may postpone sale of all or any portion of the Property in the manner provided by law,

(e) The Trustee shall deliver to the purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied, and the recitals in such deed of any matters or facts affecting the regularity or validity of the sale shall be conclusive proof of the truthfulness thereof. Also, such deed shall be conclusive against all persons as to all matters or facts therein recited. Any person, including the Trustor, the Trustee and the Beneficiary, may purchase at such sale.

(f) The Trustee shall apply the proceeds of any such sale to payment of (1) all costs, fees, charges and expenses of the Trustee and of these trusts, and fees of any attorneys employed by the Trustee or the Beneficiary pursuant to the provisions hereof; (2) the Trustee's fees in connection with the sale, and all expenses of sale, including the cost of procuring evidence of title in connection with the sale proceedings and revenue stamps on the Trustee's deed; and (3) all other sums secured hereby, including interest on each of the foregoing items, all in such manner and order of priority or preference as the Beneficiary may in its sole and absolute discretion direct. The remainder, if any, of such proceeds, shall be paid to the person or persons legally entitled thereto, upon proof satisfactory to the Trustee of such right.

(g) Trustor waives, to the extent permitted by law, (i) the benefit of all present and future laws providing for any appraisement before sale of any portion of the Property, and (ii) all rights of redemption, valuation, stay of execution, notice of election to mature or declare due the Deed of Trust Obligations, and marshaling in the event of foreclosure of this Deed of Trust or exercise of the power of sale herein, including any rights under California Civil Code Sections 2899 and 3433.

Section 12. **Satisfaction and Reconveyance**

Upon written request of the Beneficiary stating that all sums secured hereby have been paid, and upon surrender to the Trustee of this Deed of Trust and upon payment of its fees, the Trustee shall reconvey and release, without warranty, the Property, it being further agreed that the recitals in such reconveyance and release of any matters or facts shall be conclusive proof of the truthfulness thereof and that the grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

Section 13. **Additional Security**

The Trustee shall be entitled to enforce payment and performance of any indebtedness or Deed of Trust Obligations and to exercise all rights and powers under this Deed of Trust or under any other agreement or any laws now or hereafter in force, notwithstanding that some or all of the indebtedness and obligations secured hereby are now or shall hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise; and neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Trustee's or the Beneficiary's right to realize upon or enforce any other security now or hereafter held by the Trustee or the Beneficiary, it being agreed either that the Trustee or the Beneficiary shall be entitled to enforce this Deed of Trust and any other security now or hereafter

held by the Beneficiary or the Trustee in such order and manner as it may in its uncontrolled discretion determine.

Section 14. **Notice of Actions**

The Trustee shall be under no obligation to notify any party hereto of any action or proceeding of any kind in which the Trustor, the Beneficiary or the Trustee shall be a party, unless brought by the Trustee, or of any pending sale under any other deed of trust.

Section 15. **Waiver of Statute of Limitations**

The right to plead any and all statutes of limitations as a defense to any demand secured by this Deed of Trust is hereby waived.

Section 16. **Irrevocable by the Trustor**

The trust created hereby is irrevocable by the Trustor until the Deed of Trust Obligations are paid in full.

Section 17. **Substitution of Trustee**

The Beneficiary may substitute a successor Trustee from time to time by recording at the places required by law an instrument stating the election by the Beneficiary to make such substitution and identifying this Deed of Trust.

Section 18. **Notices**

All notices, requests or communications required or permitted to be given in this Deed of Trust, including any notice of default and any notice of sale to the Trustor under this Deed of Trust, shall be in writing and mailed or delivered to the respective party as follows:

Trustor:

ST. FRANCIS MEDICAL CENTER
c/o Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, California 94065
Attention: Vice President and Treasurer

with a copy to:
Gary F. Torrell, Esq,
Valensi Rose, PLC
1888 Century Park East, Suite 1100
Los Angeles, California 90067

and with a copy to:
Robyn Helmlinger, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, California 94111

Trustee:	CHICAGO TITLE INSURANCE COMPANY 725 S. Figueroa Street, Suite 200 Los Angeles, California 90017
Beneficiary:	U.S. Bank National Association 633 W 5th Street, 24th Floor Los Angeles, CA 90071
	with a copy to: Len Weiser-Varon, Esq. Mintz Levin Cohn Ferris Glovsky and Popeo PC One Financial Center Boston, MA 02111

The Trustor, the Trustee and the Beneficiary may, by notice given hereunder, designate any further or different address to which subsequent notices, notice of default, notice of sale, statements and other communications shall be sent.

Section 19. **Successors Round**

This Deed of Trust shall be binding upon, and shall inure to, the respective parties hereto, the Beneficiary, and their legal representatives, successors in office or interest, and their permitted assigns.

Section 20. **Severability of Invalid Provisions**

If any provision of this Deed of Trust should be held unenforceable or void, in whole or in part, then such unenforceable or void provision or part shall be deemed separable from the remaining provisions and shall in no way affect the validity of the remainder of this Deed of Trust.

Section 21. **Releases or Reconveyances**

Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any property not then or theretofore released as security for the full amount of all unpaid Deed of Trust Obligations, the Trustee may, upon written request by the Beneficiary in accordance with the Indentures, from time to time, and without notice to the Trustor, release any person other than the Trustor so liable, extend the maturity or alter any of the terms of any such obligation, or grant other indulgences, release or reconvey, or cause to be released or reconveyed, any portion or all of the Property, release any other or additional security for any obligation herein mentioned, or make compositions or other arrangements with debtors in relation thereto; and if the Trustee at any time holds any additional security for any Deed of Trust Obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same at its option, either before or concurrently herewith or after a sale is made hereunder.

Section 22. **Further Acts**

Trustor will, at the cost of Trustor, and without expense to Trustee or Beneficiary, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, Uniform Commercial Code financing statements or continuation statements, transfers and assurances as Trustee and Beneficiary shall, from time to time, require, for the better assuring, conveying, assigning, transferring, and confirming the first priority lien, property and rights hereby deeded, mortgaged, given, granted, bargained, sold, alienated, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Trustor may be or may hereafter become bound to convey or assign to Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust. Notwithstanding the foregoing, the Trustor shall not be required to execute or deliver any of the foregoing documents if any such documents has the effect of increasing the liabilities and/or obligations of the Trustor under this Deed of Trust and/or effectively causing an amendment to this Deed of Trust which increases the monetary obligations of the Trustor beyond those which are originally set forth herein.

Trustor agrees to pay all costs and expenses (including, without limitation, reasonable legal fees) of Trustee and Beneficiary in connection with any amendments or modifications of this Deed of Trust, or in connection with the confirmation, perfection and/or protection of the security interests granted hereby or thereby, as well as the costs and expenses (including, without limitation, the reasonable fees and out-of-pocket expenses of legal counsel) incurred by the Trustee and Beneficiary in connection with interpreting, preserving, enforcing or exercising any rights or remedies under this Deed of Trust, all whether or not legal action is instituted, which shall be payable on demand and shall constitute part of the secured indebtedness hereunder.

Section 23. **Priority of Lien**

It is understood and agreed that the lien of this Deed of Trust is a first lien on the fee simple interest of the Property. Trustor shall not grant nor permit any additional lien against the Property, except to the extent expressly permitted by the Master Indenture or the Indentures, or the Loan Agreements or any other agreements secured hereby (including any amendments, modifications and supplements thereto, from time to time), and in any event Trustor, shall ensure that no lien, right or interest shall be issued against the Property that is senior or of equal priority to the first priority lien set forth in this Deed of Trust.

Section 24. **Readings and References**

The headings or titles of the several sections, subsections and subdivisions hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Deed of Trust. All references herein to "sections," "subsections" and other subdivisions are to the corresponding sections, subsections or subdivisions of this Deed of Trust. The words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Deed of Trust as a whole and not to any particular section, subsection or subdivision hereof. Words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 25. **Governing Law**

The internal laws of the State of California shall govern this Deed of Trust, the interpretation thereof and any right or liability arising hereunder without regard to conflict of laws provisions.

Section 26. **Attorney's Fees**

In the event of any action at law or in equity between the parties hereto to interpret or enforce any of the provisions of this Deed of Trust, the nonprevailing party or parties to such litigation shall pay to the prevailing party or parties all costs and expenses, including actual attorney's fees incurred therein by such prevailing party or parties; and if such prevailing party or parties shall recover judgment in any such action or proceeding, such costs, expenses and attorney's fees may be included in and as part of such judgment. The prevailing party shall be the party who is entitled to recover its costs of suit, whether or not the suit proceeds to final judgment. A party not entitled to recover its costs of suit shall not recover attorney's fees.

[Signature on following page]

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust under seal on the day and year first above written above.

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of St. Francis Medical Center

By: _____
Name: Ty Conner
Title: Vice President and Treasurer

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ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of ~~Los Angeles~~ San Mateo)

On 12/20/17, before me, Matthew E. Hopper, a Notary Public personally appeared Ty H. Conner, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

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EXHIBIT A

Legal Description of Real Property

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LYNWOOD, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCEL 1 OF PARCEL MAP NO. 23648, IN THE CITY OF LYNWOOD, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 259 PAGES 79 AND 80 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL A1:

EASEMENTS FOR ACCESS, PARKING AND UTILITIES OVER PARCELS 2 AND 3 OF PARCEL MAP NO. 23648, AS CREATED BY INSTRUMENT EXECUTED BY ST. FRANCIS MEDICAL CENTER, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION, AND PACIFIC MEDICAL BUILDINGS, L.P., A CALIFORNIA LIMITED PARTNERSHIP, DATED AS OF JANUARY 1, 1993, RECORDED AUGUST 20, 1993 AS INSTRUMENT NO. 93¬1622632, OFFICIAL RECORDS, LOS ANGELES COUNTY, CALIFORNIA.

PARCEL B:

PARCELS 2 AND 3 OF PARCEL MAP NO. 23648, IN THE CITY OF LYNWOOD, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 259 PAGES 79 AND 80 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL B1:

EASEMENTS FOR ACCESS, PARKING AND UTILITIES OVER PARCEL 1 OF PARCEL MAP NO. 23648, AS CREATED BY INSTRUMENT EXECUTED BY ST. FRANCIS MEDICAL CENTER, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION, AND PACIFIC MEDICAL BUILDINGS, L.P., A CALIFORNIA LIMITED PARTNERSHIP, DATED AS OF JANUARY 1, 1993, RECORDED AUGUST 20, 1993 AS INSTRUMENT NO. 93¬1622632, OFFICIAL RECORDS, LOS ANGELES COUNTY, CALIFORNIA.

APN: 6173-021-008, 007 and 006

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EXHIBIT B

Description of Collateral

All right, title and interest that ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation, which is defined as "Trustor" in that certain Deed of Trust and Assignment of Leases and Rents with Fixture Filing and Security Agreement, dated as of December 14, 2015 and amended and restated as of December 1, 2017 now has or may hereafter acquire in:

(i) All buildings, structures, improvements, fixtures, equipment and appurtenances now and hereafter owned, constructed, located, erected, installed or affixed by or on behalf of the Trustor upon or appurtenant to the Land and all replacements arid substitutions therefor (**"Facilities"**);

(ii) All appurtenances, improvements, easements, pipes, transmission lines or wires and other rights used in connection with the Land or as a means of access thereto, whether now or hereafter owned or constructed or placed upon or in the Land or Facilities (**"Appurtenances"**);

(iii) All equipment, machinery, goods and other personal property of the Trustor, whether movable or not, if the same is (a) now owned or hereafter acquired by the Trustor, (b) now or hereafter located at or used in connection with the Facilities, (c) financed with the proceeds of Obligations, or (d) obtained in order to satisfy the obligations of the Corporation or any other obligor under or with respect to the Indentures or the Loan Agreements, and all improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor, including, without limitation, all machinery, equipment, material, furnishings and appliances for generation or distribution of air, water, heat, electricity, light, fuel or refrigeration, for purposes of ventilation, sanitation or drainage, for exclusion of vermin or insects, for removal or disposal of dust, refuse or garbage; all elevators, awnings, window coverings, floor covering, laundry equipment, kitchen equipment, cabinets, furniture and furnishings; all fixed and moveable equipment now or hereafter installed or placed upon or in the Land or Facilities for use in health care, treatment, diagnosis and services or for other health care uses; the products and proceeds from any and all such property; all the estate, interest, right, title, property or other claim or demand of every nature whatsoever, in and to such property, including specifically, but without limitation, all deposits made with or other security given to utility companies by the Trustor with respect to such property and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire **("Equipment"**);

(iv) All leases, subleases, licenses, occupancy agreements and tenancies of any kind with respect to the Land, Facilities, Appurtenances and Equipment (collectively, the **"Leases"**);

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(v) All rentals or other payments which may now or hereafter accrue or otherwise become payable under the Leases to or for the benefit of the Trustor together with all other income, rents, revenues, issues, profits, lease guarantees, letters of credit, reserves and royalties produced by the Land, Facilities, Appurtenances and Equipment or by all management or service contracts or other contracts affecting the Property, including but not limited to security deposits (collectively, the **"Rents"**);

(vi) All earnings, products, damages, indemnifications, insurance proceeds and any other proceeds from any and all of such Land, Facilities, Appurtenances, Equipment, Inventory (defined below), Leases and Rents including specifically, but without limitation, all deposits made with or other security given to utility companies and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire, including all advance payments of insurance premiums made by the Trustor with respect thereto (**"Proceeds"**); and

(vii) All right, title and interest of the Trustor in all the Trustor's inventory, raw materials, work in process, finished goods and goads held for sale or lease or furnished under contracts of service, and all returned and repossessed goods, and all goods covered by documents of title, including warehouse receipts, bills of lading and all other documents of every type covering all or any part of the Property, now owned or hereafter acquired, whether held by the Trustor or any third party, which is located on, appurtenant to, relating to, or used by or useful in connection with the Property (**"Inventory"**).

All of the above referenced Land, Facilities, Appurtenances, Equipment, Leases, Rents, Proceeds and Inventory as hereby conveyed to the Trustee or made subject to the security interest herein described is collectively referred to herein as the **"Property"**).

EXHIBIT I

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20171518979

Recorded/Filed in Official Records
Recorder's Office, Los Angeles County,
California

12/29/17 AT 08:00AM

Pages:
0022

FEES:	132.00
TAXES:	0.00
OTHER:	0.00
PAID:	132.00

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SEQ:
11

DAR - Title Company (Hard Copy)

THIS FORM IS NOT TO BE DUPLICATED

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12/29/2017

20171518979

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

CHICAGO TITLE COMPANY
COMMERCIAL DIVISION

Attn: Robyn Helmlinger, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, California 94111

This document is exempt from filing fees under California Government Code § 6103 and § 27383.
No documentary transfer tax per California Revenue and Taxation Code § 11921.

Property Address: 2700 E Slauson Ave., Huntington Park, CA

APN: 6320-006-069

APN 6320-006-069

SECOND AMENDED AND RESTATED DEED OF TRUST WITH FIXTURE FILING AND SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS

This SECOND AMENDED AND RESTATED DEED OF TRUST WITH FIXTURE FILING AND SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS (the **"Deed of Trust"**) made as of December 14, 2015, recorded as Instrument Number 20151573370 on December 15, 2015 at 8:00 a.m., and amended and restated as of September 15, 2017, recorded as Instrument Number 20171060068 on September 18, 2017 at 8:00 a.m., and amended and restated as of December 28, 2017, by ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation (the **"Trustor"**), to CHICAGO TITLE INSURANCE COMPANY (the **"Trustee"**), as trustee hereunder for the benefit of U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America (the **"Beneficiary"**), in the capacity as trustee under those four certain indentures by and between the California Public Finance Authority (the **"Authority"**) and the Beneficiary as such trustee, dated as of December 1, 2015 (collectively, as amended, modified, and amended and restated from time to time, the **"2015 Indentures"**) relating to four separate note issuances in the respective amounts of $60,000,000 (the **"Series 2015A Notes"**); $45,000,000 (the **"Series 2015B Notes"**); $10,000,000 (the **"Series 2015C Notes"**); and $45,000,000 (the **"Series 2015D Notes"**); and that certain indenture by and between the Authority and the Beneficiary as such trustee, dated as of September 1, 2017 (as amended, modified and amended and restated from time to time, the **"2017 Indenture"**), relating to the note issuance in the amount of $21,000,000 (the **"Series 2017 Notes"**); and that certain indenture by and between the Authority and the Beneficiary as such trustee, dated as of December 1, 2017 (as amended, modified, and amended and restated from time to time, the **"2017B Indenture"** and together with the 2017 Indenture and the 2015 Indentures, the **"Indentures"**), relating to a note issuance in the aggregate amount of $21,000,000 (the **"Series 2017B Notes"**). This Deed of Trust will secure the 2015 Notes, the 2017 Notes, and the 2017B

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Notes (collectively, as amended, modified, and amended and restated from time to time, the **"Notes"**). This Deed of Trust also secures the payment and other obligations of Verity Health System of California, Inc. (the **"Corporation"**), the Trustor's sole member, the Trustor and the Trustor's affiliates that are members of the Obligated Group under the Master Indenture (defined below) under and with respect to the four Loan Agreements dated as of December 1, 2015 and the Loan Agreement dated as of December 1, 2017, each between the Authority and the Corporation pursuant to which the Authority has loaned to the Corporation the proceeds of the Notes (collectively, as amended, modified, and amended and restated from time to time, the **"Loan Agreements"**); the Authority's rights under the Loan Agreements have been assigned by the Authority to the Beneficiary in its capacity as trustee for the Notes.

THIS DEED OF TRUST WITNESSETH:

Section 1. **Grant in Trust**

Subject to the terms and conditions contained in that certain Amended and Restated Intercreditor Agreement dated as of December 1, 2017 (the "Intercreditor Agreement") by and among the Beneficiary, in its respective capacities as Master Trustee (as defined below) and as trustee under the Indentures, and the Corporation, the Trustor irrevocably grants, transfers and absolutely, unconditionally and irrevocably assigns to the Beneficiary, in trust, with power of sale and right of entry and possession, the entire right, title and interest of Trustor in and to that certain real property (**"Land"**) situated in Los Angeles County, State of California (the **"County"**), and more particularly described in **Exhibit A** attached hereto and made a part hereof, all right, title and interest that the Trustor otherwise now has or may hereafter acquire in the Land, together with all right, title and interest that the Trustor now has or may hereafter acquire in:

(i) All buildings, structures, improvements, fixtures, equipment and appurtenances now and hereafter owned, constructed, located, erected, installed or affixed by or on behalf of the Trustor upon or appurtenant to the Land and all replacements and substitutions therefor (**"Facilities"**);

(ii) All appurtenances, improvements, easements, pipes, transmission lines or wires and other rights used in connection with the Land or as a means of access thereto, whether now or hereafter owned or constructed or placed upon or in the Land or Facilities (**"Appurtenances"**);

(iii) All equipment, machinery, goods and other personal property of the Trustor, whether movable or not, if the same is (a) now owned or hereafter acquired by the Trustor, (b) now or hereafter located at or used in connection with the Facilities, (c) financed with the proceeds of Obligations or (d) obtained in order to satisfy the obligations of the Corporation or any other obligor under or with respect to the Indentures or the Loan Agreements, and all improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor, including, without limitation, all machinery, equipment, material, furnishings and appliances for generation or distribution of air, water, heat, electricity, light, fuel or refrigeration, for purposes of ventilation, sanitation or drainage, for exclusion of vermin or insects, for removal or disposal of dust,

refuse or garbage; all elevators, awnings, window coverings, floor covering, laundry equipment, kitchen equipment, cabinets, furniture and furnishings; all fixed and moveable equipment now or hereafter installed or placed upon or in the Land or Facilities for use in health care, treatment, diagnosis and services or for other health care uses; the products and proceeds from any and all such property; all the estate, interest, right, title, property or other claim or demand of every nature whatsoever, in and to such property, including specifically, but without limitation, all deposits made with or other security given to utility companies by the Trustor with respect to such property and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire (**"Equipment"**);

(iv) All leases, subleases, licenses, occupancy agreements and tenancies of any kind with respect to the Land, Facilities, Appurtenances and Equipment (collectively, the **"Leases"**);

(v) All rentals or other payments which may now or hereafter accrue or otherwise become payable under the Leases to or for the benefit of the Trustor together with all other income, rents, revenues, issues, profits, lease guarantees, letters of credit, reserves and royalties produced by the Land, Facilities, Appurtenances and Equipment or by all management or service contracts or other contracts affecting the Property, including but not limited to security deposits (collectively, the **"Rents"**);

(vi) All earnings, products, damages, indemnifications, insurance proceeds and any other proceeds from any and all of such Land, Facilities, Appurtenances, Equipment, Inventory (defined below), Leases and Rents including specifically, but without limitation, all deposits made with or other security given to utility companies and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire, including all advance payments of insurance premiums made by the Trustor with respect thereto (**"Proceeds"**); and

(vii) All right, title and. interest of the Trustor in all the Trustor's inventory, raw materials, work in process, finished goods and goods held for sale or lease or furnished under contracts of service, and all returned and repossessed goods, and all goods covered by documents of title, including warehouse receipts, bills of lading and all other documents of every type covering all or any part of the Property, now owned or hereafter acquired, whether held by the Trustor or any third party, which is located on, appurtenant to, relating to, or used by or useful in connection with the Property (**"Inventory"**).

All of the above referenced Land, Facilities, Appurtenances, Equipment, Leases, Rents, Proceeds and Inventory as hereby conveyed to the Trustee or made subject to the security interest herein described is collectively referred to herein as the **"Property"**.

Pursuant to a master indenture of trust, dated as of December 1, 2001 (as may be amended, modified and supplemented, from time to time, the **"Master Indenture"**), between the Corporation, which is the sole corporate member of O'Connor Hospital, Saint Louise Regional Hospital, Seton Medical Center, St. Francis Medical Center and St. Vincent Medical Center,

each a California nonprofit religious corporation, and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as master trustee (the **"Master Trustee"**), and supplemental master indentures for Obligation Nos. 16, 17, 18 and 19 dated as of December 1, 2015, a supplemental master indenture for Obligation No. 21, dated as of September 1, 2017, and a supplemental master indenture for Obligation No. 22 dated as of December 1, 2017, each between the Corporation, as Obligated Group Representative, and the Master Trustee, the Corporation has issued its Obligation Nos. 16, 17, 18, 19, 21, and 22 to evidence the obligation of the Members (each as defined in the Master Indenture) to make payments sufficient to pay the principal of and interest on, and mandatory purchase price (if applicable) with respect to, the Series 2015A Notes, the Series 2015B Notes, the Series 2015C Notes, the Series 2015D Notes, the Series 2017 Notes, and Series 2017B Notes.

At the time that this Deed of Trust is recorded in the County but subsequent thereto, a separate subordination agreement of even date herewith by and between the Master Trustee and the Trustor (the **"Subordination Agreement"**) will be recorded as well. It is the intent of the parties to the Subordination Agreement that this Deed of Trust, when recorded in the County, shall be deemed to be a lien that is prior in right and time of payment to any deed of trust lien or lien on personal property or fixtures that are currently held by the Master Trustee under the Master Indenture. The Subordination Agreement is intended to provide that the lien of this Deed of Trust and any security interests granted under a separate agreement, will be all that is required to effectuate the superiority of the lien hereof over and above the lien of the deed of trust held by the Master Trustee which currently is a first lien on the Property. It is the further intent of the parties hereto, as well as the Master Trustee, that the Subordination Agreement will be in full force and effect as to any the security that is to be given for all four series of the Notes regardless of the dates that any of the series are actually closed and funded.

The Subordination Agreement is and shall continue to be subject to the provisions of the Intercreditor Agreement.

FOR THE PURPOSE OF SECURING:

Section 2. **Obligations**

(a) Payment of all Loan Repayments (as such term is defined in the Indentures) and other payments required under the Loan Agreements, including without limitation payment of the purchase price of Notes subject to mandatory purchase pursuant to the terms of the Indenture;

(b) Performance of each and every obligation, covenant and agreement of the Corporation, Trustor, and the Trustor's affiliates that are members of the Obligated Group under the. Master Indenture, contained in the Loan Agreements and payment of all amounts due to the Trustee under the Indentures; and

(c) Performance of each and every obligation, covenant and agreement of the Trustor contained in this Deed of Trust.

The foregoing obligations are hereinafter sometimes referred to as the **"Deed of Trust Obligations"**.

THIS DEED OF TRUST FURTHER WITNESSETH:

Section 3. **Security Agreement and Fixture Filing**

This Deed of Trust shall also constitute a security agreement and the Trustor hereby pledges and grants to the Beneficiary a security interest in and to all of the Property not constituting real property under the laws of the State of California (**"Personal Property"**), whether Trustor now or hereafter obtains an interest in such Personal Property and all the proceeds or products thereof, including but not limited to all of those items listed in **Exhibit B** attached hereto and made a part hereof. Upon any Event of Default of the Trustor hereunder, the Beneficiary shall be entitled to exercise with respect to all such collateral all of the rights and remedies set forth herein, in the Indentures or Loan. Agreements or otherwise afforded to a secured party in default under the terms of Division 9 of the California Uniform Commercial Code, any or all of which may be pursued and exercised concurrently, consecutively, alternatively or otherwise. The Trustor will execute one or more supplemental security agreements and cause to be completed and filed or the Beneficiary may cause to be completed and filed such financing statements as the Beneficiary may from time to time require, covering any property now or hereafter constituting a portion of the Property and otherwise the collateral securing the indebtedness secured hereunder and such financing statements and other and further assurances as the Beneficiary may request to perfect or evidence the security interest herein created (which shall cover all proceeds and products of collateral), including but not limited to, UCC-1 Financing Statements (which shall contain the description of collateral attached as **Exhibit B)** and UCC Continuation Statements.

The Trustor will pay all costs of filing any financing, continuation or termination statements with respect to the security interest created by this Deed of Trust; and the Beneficiary is hereby appointed the Trustor's attorney-in-fact to do, at the Beneficiary's option and at the Trustor's expense, all acts and things which the Beneficiary may deem necessary to perfect and continue perfected the security interest created by this Deed of Trust and to protect the Property. The Beneficiary may execute, sign, endorse, transfer or deliver, in the name of the Trustor, notes, checks, drafts or other instruments for the payment of money and receipts, certificates of origin, certificates of title, applications for certificates of title, or any other documents necessary to evidence, perfect or realize upon the security interests and secured indebtedness created or secured by this Deed of Trust, this authority shall be considered a power coupled with an interest and shall be irrevocable until all the indebtedness secured hereby shall have been paid in full.

This Deed of Trust constitutes a Financing Statement filed as a fixture filing in the Official Records of the County Recorder of the County in which the property is located with respect to any and all Fixtures (as defined by the Uniform Commercial Code), included within the term "Property" as used in this Deed of Trust and with respect to any goods or other Personal Property that may now be or hereafter become such Fixtures. The address of Beneficiary, from which information concerning the security interest granted hereunder may be obtained is:

U.S. Bank National Association

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633 W 5th Street, 24th Floor
Los Angeles, CA 90071

All references in this Deed of Trust to Uniform Commercial Code shall be to the Uniform Commercial Code, as enacted in the State of California.

Section 4. **Absolute Assignment; Assignment of Leases and Rents**

The Trustor hereby absolutely, unconditionally and irrevocably assigns to the Beneficiary the Leases and the absolute right to collect the Rents. The Beneficiary authorizes the Trustor, prior to any default in the payment of any indebtedness secured hereby or in the performance of any covenant or obligation hereunder without notice, to collect and use all such Rents as they become due and payable and to exercise all rights under the Leases if not otherwise restricted under the Indentures or Loan Agreements. The foregoing assignment shall not impose upon the Beneficiary any duty to produce Rents from the Property or cause the Beneficiary to be a "mortgagee in possession" for any purpose.

Except as otherwise permitted under the Indentures or Loan Agreements, the Trustor agrees that it will not amend, modify, change or waive, or consent to any amendment, modification, change or waiver of, any term or provision of the Leases without the prior written consent of the Beneficiary.

The Trustor agrees that it will take all steps and do all things necessary to keep and maintain the Leases in full force and effect and will enforce or cause to be enforced all and singular the provisions thereof, and bring and prosecute or cause to be prosecuted any and all suits, actions and proceedings necessary to enforce compliance with all of the terms, provisions and covenants thereof. If, in the reasonable opinion of the Beneficiary, the Trustor has failed, or is about to fail, to take suitable action to enforce the Leases or any guaranty thereof or to first preserve any rights or remedies thereunder, the Beneficiary, after giving five (5) days' written notice to the Trustor, may, but is not required to, take such action as it shall deem appropriate, in its own name or in the name of the Trustor for the use and benefit of the Beneficiary, to enforce the Leases and to preserve any rights or remedies thereunder, and all costs and expenses incurred by the Beneficiary in taking any such action, shall be payable on demand and shall constitute part of the secured indebtedness hereunder.

Section 5. **Events of Default and Acceleration**

(a) Event of Default. An "Event of Default" under this Deed of Trust shall mean (i) a default in the payment of any of the Deed of Trust Obligations as same becomes due and payable after any applicable notice and cure period, as set forth in the agreement creating the applicable obligation, (ii) failure to observe or perform any other terms, covenants or agreements under this Deed of Trust beyond any applicable notice and cure periods set forth elsewhere herein (and, if no specific cure period or time for performance is specified elsewhere herein, a notice and cure period of twenty (20) days shall apply), or the breach of any representation or warranty of Trustor hereunder, and (iii) the occurrence of an "Event of Default" under, and as defined in, the Indentures and the Loan Agreements including any amendments, modifications and supplements thereto, from time to time.

(b) Acceleration. In the event of any Event of Default under this Deed of Trust or under any other agreements secured hereby, the Beneficiary shall have the option of declaring the unpaid balance owing under the Indentures or Loan Agreements and any other sums secured hereby immediately due and payable as provided in the Indentures or Loan Agreements.

Section 6. **Covenants of the Trustor**

For the purpose of protecting and preserving the security of this Deed of Trust, the Trustor promises and agrees to do the following:

(a) (1) to take all action necessary to keep the Property at all times entirely free of dry rot, fungus, termites, beetles and all other wood-boring, wood-eating, harmful or destructive insects, and in all respects properly to care for and keep all of the Property, including all such buildings, structures and other improvements, in good condition and repair, ordinary wear and tear excepted;

(2) to complete promptly and in good and businesslike manner any building or other improvements which may be constructed on the Land, to promptly restore in like manner (to the extent permitted by law) any Facilities which may be damaged or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefor, provided that the Trustor shall not be required to pay any such claim if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in a manner reasonably satisfactory to the Trustee;

(3) to comply with all laws, ordinances, regulations, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements to be made thereon, including without limitation any environmental law;

(4) not to commit or permit (to the extent within its control) any waste, and not to permit any deterioration of, nor abandon, the Property;

(5) not to commit, suffer or permit (to the extent within its control) any act to be done in or upon the Property in violation of any law or ordinance if such act might have consequences that would adversely affect the financial condition, assets, properties or operation of the Trustor;

(6) not to cause nor permit (to the extent within its control) any building, structure or improvement or other property now or hereafter covered by the lien of this Deed of Trust and comprising part of the Property to be removed or demolished or structurally changed or altered, except as permitted hereunder or under the Indentures, the Loan Agreements, or any other agreements secured hereby (including any amendments, modifications and supplements thereto, from time to time), in whole or in part, or any fixture comprising part of the Property to be removed, severed or destroyed, without the prior written consent of the Beneficiary and the Trustee. Simultaneously with, or prior to, any such permitted removal, any such fixtures shall be replaced with other fixtures to perform the function of the fixtures removed and of a value at least equal to that of the fixtures replaced and free from any title retention or

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security agreement or other encumbrance. By such removal and replacement, the Trustor shall be deemed to have subjected such fixtures to the lien of this Deed of Trust;

(7) except in the necessary and ordinary course of its business not, without the prior written consent of the Beneficiary and Trustee, to enter into any lease, license or tenancy of any kind for the whole or any material part of the Property. All such leases, licenses or tenancies entered into hereafter shall be subordinate to this Deed of Trust and shall, at the written request of Beneficiary, contain a covenant on the part of the tenant, enforceable by Beneficiary, obligating such tenant, upon an uncured Event of Default hereunder and notice by Beneficiary, to attorn to and become a tenant of Beneficiary or any purchaser from Trustee or through foreclosure of this Deed of Trust, for the unexpired term of, and subject to the terms and conditions of, such future lease agreements and shall require tenant to enter into agreements with Beneficiary to affirm such obligations of tenant.

(b) to provide and maintain casualty and any other Insurance as required by the Loan Agreements and the Master Indenture, which insurance shall provide for the Trustee to be the loss payee;

(c) to appear in and defend any action or proceeding affecting or purporting to affect the security or the first priority lien of this Deed of Trust, any additional or other security for any of the Deed of Trust Obligations secured hereby, or the interest, rights, powers, or duties of the Trustee or the Beneficiary hereunder, it being agreed, however, that in the case of an action or proceeding against the Trustee or the Beneficiary, said Trustee or Beneficiary, at its option, may appear in and defend any such action or proceeding and, in addition, it being agreed that the Trustee or Beneficiary may commence any action or proceeding deemed necessary by it to perfect, maintain or protect such interest, rights, powers or duties, all in such manner and to such extent as it may determine in its sole discretion to be appropriate, and the Trustee or Beneficiary is authorized to pay, purchase or compromise on behalf of the Trustor any encumbrance or claim which in its judgment appears or purports to affect the security hereof or to be superior hereto; to pay all costs and expenses, including costs of evidence of title and attorney's fees in a reasonable sum, in any above-described action or proceedings in which the Beneficiary or the Trustee may appear;

(d) (1) to pay, and submit to the Beneficiary, at least five (5) days before default or delinquency, a receipt or other evidence of payment, or certified copy thereof, evidencing payment of all taxes and assessments affecting the Property, and any accrued interest, cost or penalty thereon, provided that the Trustor shall not be required to pay any such tax or assessment if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in a manner reasonably satisfactory to the Beneficiary;

(2) to pay when due all encumbrances (including any debt secured by deed of trust), ground rents, liens or charges, with interest, on the Property or any part thereof which appear to be prior or superior hereto, and to pay immediately and in full all such encumbrances, rents, liens or charges, if any, which may now be due or payable; provided that the Trustor shall not be required to pay any such encumbrances, rent, lien or charge if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in manner satisfactory to the Beneficiary;

(3) to pay when due all costs, fees and expenses of these trusts, including costs of evidence of title and the Trustee's fees in connection with sale, whether completed or not, which amounts shall become due upon delivery to the Trustee of declaration of default and demand for sale, as hereinafter provided;

(e) to pay immediately and without demand all reasonable and necessary sums expended or expense incurred by the Trustee or by the Beneficiary to enforce the terms of the Trust, including attorneys' fees, under any of the terms of this Deed of Trust, with interest from date of expenditure at the rate of ten percent (10%) per annum; and

(f) (1) to ensure that the Property shall be and remain in full compliance with all Federal, State and local environmental, health, safety and welfare laws and regulations, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), Public Law No. 96-510, 94 Stat. 2767, and the Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law No. 99-499, 100 Stat, 1613 ("Environmental Laws");

(2) to operate, and use commercially reasonable efforts to cause any of its tenants or occupants to operate, the Property in compliance with all Environmental Laws and further will not generate, manufacture, refine, produce, store, handle, transfer, process, transport or dispose of hazardous substances (as defined by CERCLA), as now in effect or as hereafter from time to time may be amended), Hazardous Wastes (as defined by the Resource Conservation and Recovery Act (RCRA), 42 U.S.C.A. § 6903(5), as now in effect or as hereafter from time to time may be amended), oils, radioactive materials, asbestos in any form or condition, or any pollutant or contaminant or hazardous, dangerous or toxic chemicals, materials or substances within the meaning of any other Environmental Laws, regulation, ordinance or requirements relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or materials, all as now in effect or hereafter from time to time may be amended (all of which are hereafter collectively referred to as "Hazardous Substances"), except to the extent required for the usual and lawful operation of the Property, and then strictly in accordance with Environmental Laws.

Section 7. **Acceptance Not Waiver**

By accepting payment of any sum secured hereby after its due date, neither the Trustee nor the Beneficiary shall be deemed to have waived its right either to require prompt payment when due of all other sums so secured or to declare default as herein provided for failure so to pay.

Section 8. **Conveyance, Easements, Subordination, Releases**

To the extent expressly permitted under the Indentures or the Loan Agreements, at any time, or from time to time, upon written request by the Beneficiary or Trustor, upon presentation of this Deed of Trust, and without affecting the liability of any Person for payment of the indebtedness secured hereby or the priority of lien created by this Deed of Trust upon the

remainder of the Property, the Trustee shall reconvey any part of the Property, consent in writing to the making of any map or plat thereof, execute releases, join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

Section 9. **Right of Entry for Inspection**

The Trustee and the Beneficiary are each authorized, by themselves or their agents or workers, in a reasonable manner such as not to interfere with the Trustor's business in a materially adverse manner and, prior to an Event of Default, after giving notice to enter during reasonable business hours (or at any other time agreeable to the Trustor) to enter upon any part of the Property for the purpose of inspecting the same.

Section 10. **Entry, Possession, Operation of Property**

(a) Upon the occurrence of an Event of Default, the Trustee or the Beneficiary, in its sole discretion, and without releasing the Trustor from any obligation hereof, is authorized to do and may do any of the following:

(1) make any such payment or do any such act in such manner and to such extent as it may deem necessary to protect the security hereof, the Trustee and the Beneficiary being authorized to enter upon the Property for such purposes;

(2) pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which in the judgment of the Trustee or the Beneficiary may affect or appear to affect the security of this Deed of Trust, the interest of the Beneficiary or the rights, powers or duties of the Trustee or the Beneficiary hereunder;

(3) either by itself or by its agents, receiver, commissioner or other officer appointed by it for that purpose, enter into and upon and take and hold possession of any or all of the Property, exclude the Trustor and all other persons therefrom, and operate, store, use, maintain and manage the Property, and rent and lease the same and collect any and all rents, issues, income and profits therefrom, and from time to time apply the same or accumulate the same for application, in such order and manner as the Trustee or the Beneficiary in its sole discretion shall consider advisable, to the following: costs of collecting the same, including the Trustee's reasonable fees in so doing; the necessary and proper costs of upkeep, maintenance, repair, and operation of the Property; the repayment of any sums theretofore or thereafter advanced pursuant to the terms of this Deed of Trust; the interest and principal then due or next to become due upon any Deed of Trust Obligations; and the taxes and assessments upon the Property then due or next to become due. In the event the Trustee or the Beneficiary demands or attempts to take possession of the Property in the exercise of any rights under any of this Deed of Trust, the Trustor promises and agrees to promptly turn over and deliver complete possession thereof to the Trustee and the Beneficiary;

(4) commence an action to foreclose this Deed of Trust (either judicially or non-judicially, in accordance with law), appoint a receiver, specifically enforce any of the covenants hereof, or sell the Property pursuant to the power of sale herein conferred either personally or by means of a court appointed receiver;

(5) exercise any other rights or remedies which may now or hereafter be available to the Trustee or Beneficiary under this Deed of Trust, the Indentures, the Loan Agreements or any other document or instrument, or at law, in equity or by statute.

(b) The collection or receipt of Rents from the Property by the Trustee or the Beneficiary after declaration of default and election to cause the Property to be sold under and pursuant to the terms of this Deed of Trust shall not affect or impair such default or declaration of default or election to cause the Property to be sold or any sale proceedings predicated thereon, but such proceedings may be conducted and sale effected notwithstanding the receipt or collection of any such Rents. Any such Rents in the possession of the Trustee or the Beneficiary at the time of sale and not theretofore applied as herein provided, shall be applied in the same manner and for the same purposes as the proceeds of the sale.

(c) The Trustee and the Beneficiary shall not be under any obligation to make any of the payments or do any of the acts above mentioned, but, upon election so to do, employment of an attorney is authorized and payment of such attorney's fees and of all other necessary expenditures is hereby secured.

(d) No remedy herein conferred upon or reserved to the Trustee or the Beneficiary is intended to be exclusive of any other remedy given hereunder. Every power or remedy given by this Deed of Trust, the Indentures and the Loan Agreements to the Trustee and the Beneficiary, or to which the Trustee and the Beneficiary may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee and the Beneficiary. No delay by Trustee or Beneficiary in exercising any such right or remedy shall operate as a waiver of any Event of Default or preclude the exercise of any such remedy during the continuance of that or any subsequent Event of Default.

Section 11. **Power of Sale**

(a) Should an Event of Default have occurred and be continuing, the Trustee, upon written request by the Beneficiary, shall declare all sums secured hereby immediately due and payable.

(b) Having so declared, the Trustee shall provide and record such notices of default and of the election to cause the Property or any part of it to be sold as are required by law.

(c) The Trustee, upon written request by the Beneficiary, from time to time before the Trustee's sale, may rescind any such notice of default and of election to cause to be sold the Property and may execute a written notice of such a rescission, which notice, when recorded, shall also constitute a cancellation of arty prior declaration of default and demand for sale. The exercise of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring or impair the right of the Beneficiary to execute and deliver to the Trustee, as above provided, other requests for notices of default and of election to cause to be sold the Property to satisfy the Deed of Trust Obligations, nor otherwise affect any provision, covenant or condition of this Deed of Trust or any of the rights, obligations or remedies of the parties hereunder.

(d) Not less than the time then required by law having elapsed after recordation of notice of default, without demand on the Trustor, the Trustee, having first given notice of sale as then required by law, shall sell the Property in the manner provided by law at the time and place of sale fixed by it in the notice of sale, provided that the Trustee may postpone sale of all or any portion of the Property in the manner provided by law,

(e) The Trustee shall deliver to the purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied, and the recitals in such deed of any matters or facts affecting the regularity or validity of the sale shall be conclusive proof of the truthfulness thereof. Also, such deed shall be conclusive against all persons as to all matters or facts therein recited. Any person, including the Trustor, the Trustee and the Beneficiary, may purchase at such sale.

(f) The Trustee shall apply the proceeds of any such sale to payment of (1) all costs, fees, charges and expenses of the Trustee and of these trusts, and fees of any attorneys employed by the Trustee or the Beneficiary pursuant to the provisions hereof; (2) the Trustee's fees in connection with the sale, and all expenses of sale, including the cost of procuring evidence of title in connection with the sale proceedings and revenue stamps on the Trustee's deed; and (3) all other sums secured hereby, including interest on each of the foregoing items, all in such manner and order of priority or preference as the Beneficiary may in its sole and absolute discretion direct. The remainder, if any, of such proceeds, shall be paid to the person or persons legally entitled thereto, upon proof satisfactory to the Trustee of such right.

(g) Trustor waives, to the extent permitted by law, (i) the benefit of all present and future laws providing for any appraisement before sale of any portion of the Property, and (ii) all rights of redemption, valuation, stay of execution, notice of election to mature or declare due the Deed of Trust Obligations, and marshaling in the event of foreclosure of this Deed of Trust or exercise of the power of sale herein, including any rights under California Civil Code Sections 2899 and 3433.

Section 12. **Satisfaction and Reconveyance**

Upon written request of the Beneficiary stating that all sums secured hereby have been paid, and upon surrender to the Trustee of this Deed of Trust and upon payment of its fees, the Trustee shall reconvey and release, without warranty, the Property, it being further agreed that the recitals in such reconveyance and release of any matters or facts shall be conclusive proof of the truthfulness thereof and that the grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

Section 13. **Additional Security**

The Trustee shall be entitled to enforce payment and performance of any indebtedness or Deed of Trust Obligations and to exercise all rights and powers under this Deed of Trust or under any other agreement or any laws now or hereafter in force, notwithstanding that some or all of the indebtedness and obligations secured hereby are now or shall hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise; and neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner

affect the Trustee's or the Beneficiary's right to realize upon or enforce any other security now or hereafter held by the Trustee or the Beneficiary, it being agreed either that the Trustee or the Beneficiary shall be entitled to enforce this Deed of Trust and any other security now or hereafter held by the Beneficiary or the Trustee in such order and manner as it may in its uncontrolled discretion determine.

Section 14. **Notice of Actions**

The Trustee shall be under no obligation to notify any party hereto of any action or proceeding of any kind in which the Trustor, the Beneficiary or the Trustee shall be a party, unless brought by the Trustee, or of any pending sale under any other deed of trust.

Section 15. **Waiver of Statute of Limitations**

The right to plead any and all statutes of limitations as a defense to any demand secured by this Deed of Trust is hereby waived.

Section 16. **Irrevocable by the Trustor**

The trust created hereby is irrevocable by the Trustor until the Deed of Trust Obligations are paid in full.

Section 17. **Substitution of Trustee**

The Beneficiary may substitute a successor Trustee from time to time by recording at the places required by law an instrument stating the election by the Beneficiary to make such substitution and identifying this Deed of Trust.

Section 18. **Notices**

All notices, requests or communications required or permitted to be given in this Deed of Trust, including any notice of default and any notice of sale to the Trustor under this Deed of Trust, shall be in writing and mailed or delivered to the respective party as follows:

Trustor:

ST. FRANCIS MEDICAL CENTER
c/o Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, California 94065
Attention: Vice President and Treasurer

with a copy to:
Gary F. Torrell, Esq,
Valensi Rose, PLC
1888 Century Park East, Suite 1100
Los Angeles, California 90067

and with a copy to:
Robyn Helmlinger, Esq.
Squire Patton Boggs (US) LLP

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275 Battery Street, Suite 2600
San Francisco, California 94111

Trustee: CHICAGO TITLE INSURANCE COMPANY
725 S. Figueroa Street, Suite 200
Los Angeles, California 90017

Beneficiary: U.S. Bank National Association
633 W 5th Street, 24th Floor
Los Angeles, CA 90071

with a copy to:
Len Weiser-Varon, Esq.
Mintz Levin Cohn Ferris Glovsky and Popeo PC
One Financial Center
Boston, MA 02111

The Trustor, the Trustee and the Beneficiary may, by notice given hereunder, designate any further or different address to which subsequent notices, notice of default, notice of sale, statements and other communications shall be sent.

Section 19. **Successors Round**

This Deed of Trust shall be binding upon, and shall inure to, the respective parties hereto, the Beneficiary, and their legal representatives, successors in office or interest, and their permitted assigns.

Section 20. **Severability of Invalid Provisions**

If any provision of this Deed of Trust should be held unenforceable or void, in whole or in part, then such unenforceable or void provision or part shall be deemed separable from the remaining provisions and shall in no way affect the validity of the remainder of this Deed of Trust.

Section 21. **Releases or Reconveyances**

Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any property not then or theretofore released as security for the full amount of all unpaid Deed of Trust Obligations, the Trustee may, upon written request by the Beneficiary in accordance with the Indentures, from time to time, and without notice to the Trustor, release any person other than the Trustor so liable, extend the maturity or alter any of the terms of any such obligation, or grant other indulgences, release or reconvey, or cause to be released or reconveyed, any portion or all of the Property, release any other or additional security for any obligation herein mentioned, or make compositions or other arrangements with debtors in relation thereto; and if the Trustee at any time holds any additional security for any Deed of Trust Obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same at its option, either before or concurrently herewith or after a sale is made hereunder.

Section 22. **Further Acts**

Trustor will, at the cost of Trustor, and without expense to Trustee or Beneficiary, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, Uniform Commercial Code financing statements or continuation statements, transfers and assurances as Trustee and Beneficiary shall, from time to time, require, for the better assuring, conveying, assigning, transferring, and confirming the first priority lien, property and rights hereby deeded, mortgaged, given, granted, bargained, sold, alienated, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Trustor may be or may hereafter become bound to convey or assign to Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust. Notwithstanding the foregoing, the Trustor shall not be required to execute or deliver any of the foregoing documents if any such documents has the effect of increasing the liabilities and/or obligations of the Trustor under this Deed of Trust and/or effectively causing an amendment to this Deed of Trust which increases the monetary obligations of the Trustor beyond those which are originally set forth herein.

Trustor agrees to pay all costs and expenses (including, without limitation, reasonable legal fees) of Trustee and Beneficiary in connection with any amendments or modifications of this Deed of Trust, or in connection with the confirmation, perfection and/or protection of the security interests granted hereby or thereby, as well as the costs and expenses (including, without limitation, the reasonable fees and out-of-pocket expenses of legal counsel) incurred by the Trustee and Beneficiary in connection with interpreting, preserving, enforcing or exercising any rights or remedies under this Deed of Trust, all whether or not legal action is instituted, which shall be payable on demand and shall constitute part of the secured indebtedness hereunder.

Section 23. **Priority of Lien**

It is understood and agreed that the lien of this Deed of Trust is a first lien on the fee simple interest of the Property. Trustor shall not grant nor permit any additional lien against the Property, except to the extent expressly permitted by the Master Indenture or the Indentures, or the Loan Agreements or any other agreements secured hereby (including any amendments, modifications and supplements thereto, from time to time), and in any event Trustor, shall ensure that no lien, right or interest shall be issued against the Property that is senior or of equal priority to the first priority lien set forth in this Deed of Trust.

Section 24. **Readings and References**

The headings or titles of the several sections, subsections and subdivisions hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Deed of Trust. All references herein to "sections," "subsections" and other subdivisions are to the corresponding sections, subsections or subdivisions of this Deed of Trust. The words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Deed of Trust as a whole and not to any particular section, subsection or subdivision hereof. Words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 25. **Governing Law**

The internal laws of the State of California shall govern this Deed of Trust, the interpretation thereof and any right or liability arising hereunder without regard to conflict of laws provisions.

Section 26. **Attorney's Fees**

In the event of any action at law or in equity between the parties hereto to interpret or enforce any of the provisions of this Deed of Trust, the nonprevailing party or parties to such litigation shall pay to the prevailing party or parties all costs and expenses, including actual attorney's fees incurred therein by such prevailing party or parties; and if such prevailing party or parties shall recover judgment in any such action or proceeding, such costs, expenses and attorney's fees may be included in and as part of such judgment. The prevailing party shall be the party who is entitled to recover its costs of suit, whether or not the suit proceeds to final judgment. A party not entitled to recover its costs of suit shall not recover attorney's fees.

[Signature on following page]

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IN WITNESS WHEREOF, Trustor has executed this Deed of Trust under seal on the day and year first above written above.

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of St. Francis Medical Center

By: _____
Name: Ty Conner AKA TY H. CONNER
Title: Vice President and Treasurer

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ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Mateo)

On 12/19/17, before me, Matthew E. Hopper a Notary Public personally appeared Ty H. Conner, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

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EXHIBIT A

Legal Description of Real Property

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF HUNTINGTON PARK, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 1, 2 AND 3 OF TRACT NO. 7793, IN THE CITY OF HUNTINGTON PARK, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 128, PAGES 75 AND 76 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, NATURAL GAS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, AND ALL OTHER MINERALS AND MINERAL RIGHTS, WHETHER OR NOT SIMILAR TO THOSE HEREIN MENTIONED, BELOW A DEPTH OF 500 FEET; PROVIDED THAT GRANTOR SHALL NOT HAVE ANY RIGHT OF SURFACE ENTRY TO DRILL, MINE, EXPLORE OR OTHERWISE OPERATE UPON, IN, THROUGH OR UNDER THE LAND HEREIN CONVEYED, IN THE EXERCISE OF THE HEREIN EXCEPTED AND RESERVED RIGHTS, AS RESERVED BY NICHOLAS J. BERTRAND, IN THE DEED RECORDED JULY 18, 1984 AS INSTRUMENT NO. 84-855476 OF OFFICIAL RECORDS.

APN: 6320-006-069

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EXHIBIT B

Description of Collateral

All right, title and interest that ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation, which is defined as "Trustor" in that certain Deed of Trust and Assignment of Leases and Rents with Fixture Filing and Security Agreement dated as of December 14, 2015 and amended and restated as of December 1, 2017 now has or may hereafter acquire in:

(i) All buildings, structures, improvements, fixtures, equipment and appurtenances now and hereafter owned, constructed, located, erected, installed or affixed by or on behalf of the Trustor upon or appurtenant to the Land and all replacements arid substitutions therefor (**"Facilities"**);

(ii) All appurtenances, improvements, easements, pipes, transmission lines or wires and other rights used in connection with the Land or as a means of access thereto, whether now or hereafter owned or constructed or placed upon or in the Land or Facilities (**"Appurtenances"**);

(iii) All equipment, machinery, goods and other personal property of the Trustor, whether movable or not, if the same is (a) now owned or hereafter acquired by the Trustor, (b) now or hereafter located at or used in connection with the Facilities, (c) financed with the proceeds of Obligations, or (d) obtained in order to satisfy the obligations of the Corporation or any other obligor under or with respect to the Indentures or the Loan Agreements, and all improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor, including, without limitation, all machinery, equipment, material, furnishings and appliances for generation or distribution of air, water, heat, electricity, light, fuel or refrigeration, for purposes of ventilation, sanitation or drainage, for exclusion of vermin or insects, for removal or disposal of dust, refuse or garbage; all elevators, awnings, window coverings, floor covering, laundry equipment, kitchen equipment, cabinets, furniture and furnishings; all fixed and moveable equipment now or hereafter installed or placed upon or in the Land or Facilities for use in health care, treatment, diagnosis and services or for other health care uses; the products and proceeds from any and all such property; all the estate, interest, right, title, property or other claim or demand of every nature whatsoever, in and to such property, including specifically, but without limitation, all deposits made with or other security given to utility companies by the Trustor with respect to such property and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire **("Equipment")**;

(iv) All leases, subleases, licenses, occupancy agreements and tenancies of any kind with respect to the Land, Facilities, Appurtenances and Equipment (collectively, the **"Leases"**);

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(v) All rentals or other payments which may now or hereafter accrue or otherwise become payable under the Leases to or for the benefit of the Trustor together with all other income, rents, revenues, issues, profits, lease guarantees, letters of credit, reserves and royalties produced by the Land, Facilities, Appurtenances and Equipment or by all management or service contracts or other contracts affecting the Property, including but not limited to security deposits (collectively, the **"Rents"**);

(vi) All earnings, products, damages, indemnifications, insurance proceeds and any other proceeds from any and all of such Land, Facilities, Appurtenances, Equipment, Inventory (defined below), Leases and Rents including specifically, but without limitation, all deposits made with or other security given to utility companies and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire, including all advance payments of insurance premiums made by the Trustor with respect thereto (**"Proceeds"**); and

(vii) All right, title and interest of the Trustor in all the Trustor's inventory, raw materials, work in process, finished goods and goads held for sale or lease or furnished under contracts of service, and all returned and repossessed goods, and all goods covered by documents of title, including warehouse receipts, bills of lading and all other documents of every type covering all or any part of the Property, now owned or hereafter acquired, whether held by the Trustor or any third party, which is located on, appurtenant to, relating to, or used by or useful in connection with the Property (**"Inventory"**).

All of the above referenced Land, Facilities, Appurtenances, Equipment, Leases, Rents, Proceeds and Inventory as hereby conveyed to the Trustee or made subject to the security interest herein described is collectively referred to herein as the **"Property"**).

EXHIBIT J

This page is part of your document - DO NOT DISCARD

20171518983

Recorded/Filed in Official Records
Recorder's Office, Los Angeles County, California

12/29/17 AT 08:00AM

Pages: 0022

FEES:	132.00
TAXES:	0.00
OTHER:	0.00
PAID:	132.00

LEADSHEET

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SEQ:
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DAR - Title Company (Hard Copy)

THIS FORM IS NOT TO BE DUPLICATED

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12/29/2017

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RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

CHICAGO TITLE COMPANY
COMMERCIAL DIVISION

Attn: Robyn Helmlinger, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, California 94111

This document is exempt from filing fees under California Government Code § 6103 and § 27383.
No documentary transfer tax per California Revenue and Taxation Code § 11921.

Property Address: 5957 Atlantic Blvd., Maywood, CA

APN: 6313-013-026, 028

ATN 6313-013-026 & 028

SECOND AMENDED AND RESTATED DEED OF TRUST WITH FIXTURE FILING AND SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS

This SECOND AMENDED AND RESTATED DEED OF TRUST WITH FIXTURE FILING AND SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS (the **"Deed of Trust"**) made as of December 14, 2015, recorded as Instrument Number 20151573374 on December 15, 2015 at 8:00 a.m., and amended and restated as of September 15, 2017, recorded as Instrument Number 20171060066 on September 18, 2017 at 8:00 a.m., and amended and restated as of December 28, 2017, by ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation (the **"Trustor"**), to CHICAGO TITLE INSURANCE COMPANY (the **"Trustee"**), as trustee hereunder for the benefit of U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America (the **"Beneficiary"**), in the capacity as trustee under those four certain indentures by and between the California Public Finance Authority (the **"Authority"**) and the Beneficiary as such trustee dated as of December 1, 2015 (collectively, as amended, modified, and amended and restated from time to time, the **"2015 Indentures"**) relating to four separate note issuances in the respective amounts of $60,000,000 (the **"Series 2015A Notes"**); $45,000,000 (the **"Series 2015B Notes"**); $10,000,000 (the **"Series 2015C Notes"**); and $45,000,000 (the **"Series 2015D Notes"**); and that certain indenture by and between the Authority and the Beneficiary as such trustee, dated as of September 1, 2017 (as amended, modified, and amended and restated from time to time, the **"2017 Indenture"**), relating to the note issuance in the amount of $21,000,000 (the **"Series 2017 Notes"**); and that certain indenture by and between the Authority and the Beneficiary as such trustee, dated as of December 1, 2017 (as amended, modified, and amended and restated from time to time, the **"2017B Indenture"** and together with the 2017 Indenture and the 2015 Indentures, the **"Indentures"**), relating to a note issuance in the aggregate amount of $21,000,000 (the **"Series 2017B Notes"**). This Deed of Trust will secure the 2015 Notes, the 2017 Notes, and the 2017B Notes (collectively, as amended, modified, and amended and restated from time to time, the

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"Notes"). This Deed of Trust also secures the payment and other obligations of Verity Health System of California, Inc. (the **"Corporation"**), the Trustor's sole member, the Trustor and the Trustor's affiliates that are members of the Obligated Group under the Master Indenture (defined below) under and with respect to the four Loan Agreements dated as of December 1, 2015 and the Loan Agreement dated as of September 1, 2017, and the Loan Agreement, dated as of December 1, 2017, each between the Authority and the Corporation pursuant to which the Authority has loaned to the Corporation the proceeds of the Notes (collectively, as amended, modified, and amended and restated from time to time, the **"Loan Agreements"**); the Authority's rights under the Loan Agreements have been assigned by the Authority to the Beneficiary in its capacity as trustee for the Notes.

THIS DEED OF TRUST WITNESSETH:

Section 1. **Grant in Trust**

Subject to the terms and conditions contained in that certain Amended and Restated Intercreditor Agreement dated as of December 1, 2017 (the "Intercreditor Agreement") by and among the Beneficiary, in its respective capacities as Master Trustee (as defined below) and as trustee under the Indentures, and the Corporation, the Trustor irrevocably grants, transfers and absolutely, unconditionally and irrevocably assigns to the Beneficiary, in trust, with power of sale and right of entry and possession, the entire right, title and interest of Trustor in and to that certain real property (**"Land"**) situated in Los Angeles County, State of California (the **"County"**), and more particularly described in **Exhibit A** attached hereto and made a part hereof, all right, title and interest that the Trustor otherwise now has or may hereafter acquire in the Land, together with all right, title and interest that the Trustor now has or may hereafter acquire in:

(i) All buildings, structures, improvements, fixtures, equipment and appurtenances now and hereafter owned, constructed, located, erected, installed or affixed by or on behalf of the Trustor upon or appurtenant to the Land and all replacements and substitutions therefor (**"Facilities"**);

(ii) All appurtenances, improvements, easements, pipes, transmission lines or wires and other rights used in connection with the Land or as a means of access thereto, whether now or hereafter owned or constructed or placed upon or in the Land or Facilities (**"Appurtenances"**);

(iii) All equipment, machinery, goods and other personal property of the Trustor, whether movable or not, if the same is (a) now owned or hereafter acquired by the Trustor, (b) now or hereafter located at or used in connection with the Facilities, (c) financed with the proceeds of Obligations or (d) obtained in order to satisfy the obligations of the Corporation or any other obligor under or with respect to the Indentures or the Loan Agreements, and all improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor, including, without limitation, all machinery, equipment, material, furnishings and appliances for generation or distribution of air, water, heat, electricity, light, fuel or refrigeration, for purposes of ventilation, sanitation or drainage, for exclusion of vermin or insects, for removal or disposal of dust,

refuse or garbage; all elevators, awnings, window coverings, floor covering, laundry equipment, kitchen equipment, cabinets, furniture and furnishings; all fixed and moveable equipment now or hereafter installed or placed upon or in the Land or Facilities for use in health care, treatment, diagnosis and services or for other health care uses; the products and proceeds from any and all such property; all the estate, interest, right, title, property or other claim or demand of every nature whatsoever, in and to such property, including specifically, but without limitation, all deposits made with or other security given to utility companies by the Trustor with respect to such property and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire (**"Equipment"**);

(iv) All leases, subleases, licenses, occupancy agreements and tenancies of any kind with respect to the Land, Facilities, Appurtenances and Equipment (collectively, the **"Leases"**);

(v) All rentals or other payments which may now or hereafter accrue or otherwise become payable under the Leases to or for the benefit of the Trustor together with all other income, rents, revenues, issues, profits, lease guarantees, letters of credit, reserves and royalties produced by the Land, Facilities, Appurtenances and Equipment or by all management or service contracts or other contracts affecting the Property, including but not limited to security deposits (collectively, the **"Rents"**);

(vi) All earnings, products, damages, indemnifications, insurance proceeds and any other proceeds from any and all of such Land, Facilities, Appurtenances, Equipment, Inventory (defined below), Leases and Rents including specifically, but without limitation, all deposits made with or other security given to utility companies and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire, including all advance payments of insurance premiums made by the Trustor with respect thereto (**"Proceeds"**); and

(vii) All right, title and. interest of the Trustor in all the Trustor's inventory, raw materials, work in process, finished goods and goods held for sale or lease or furnished under contracts of service, and all returned and repossessed goods, and all goods covered by documents of title, including warehouse receipts, bills of lading and all other documents of every type covering all or any part of the Property, now owned or hereafter acquired, whether held by the Trustor or any third party, which is located on, appurtenant to, relating to, or used by or useful in connection with the Property (**"Inventory"**).

All of the above referenced Land, Facilities, Appurtenances, Equipment, Leases, Rents, Proceeds and Inventory as hereby conveyed to the Trustee or made subject to the security interest herein described is collectively referred to herein as the **"Property"**.

Pursuant to a master indenture of trust, dated as of December 1, 2001 (as may be amended, modified and supplemented, from time to time, the **"Master Indenture"**), between the Corporation, which is the sole corporate member of O'Connor Hospital, Saint Louise Regional Hospital, Seton Medical Center, St. Francis Medical Center and St. Vincent Medical Center,

each a California nonprofit religious corporation, and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as master trustee (the **"Master Trustee"**), supplemental master indentures for Obligation Nos. 16, 17, 18 and 19, dated as of December 1, 2015, a supplemental master indenture for Obligation No. 21, dated as of September 1, 2017, and a supplemental master indenture for Obligation No. 22 dated as of December 1, 2017, each between the Corporation, as Obligated Group Representative, and the Master Trustee, the Corporation has issued its Obligation Nos. 16, 17, 18, 19, 21, and 22 to evidence the obligation of the Members (each as defined in the Master Indenture) to make payments sufficient to pay the principal of and interest on, and mandatory purchase price (if applicable) with respect to, the Series 2015A Notes, the Series 2015B Notes, the Series 2015C Notes, the Series 2015D Notes, the Series 2017 Notes, and Series 2017B Notes.

At the time that this Deed of Trust is recorded in the County but subsequent thereto, a separate subordination agreement of even date herewith by and between the Master Trustee and the Trustor (the **"Subordination Agreement"**) will be recorded as well. It is the intent of the parties to the Subordination Agreement that this Deed of Trust, when recorded in the County, shall be deemed to be a lien that is prior in right and time of payment to any deed of trust lien or lien on personal property or fixtures that are currently held by the Master Trustee under the Master Indenture. The Subordination Agreement is intended to provide that the lien of this Deed of Trust and any security interests granted under a separate agreement, will be all that is required to effectuate the superiority of the lien hereof over and above the lien of the deed of trust held by the Master Trustee which currently is a first lien on the Property. It is the further intent of the parties hereto, as well as the Master Trustee, that the Subordination Agreement will be in full force and effect as to any the security that is to be given for all four series of the Notes regardless of the dates that any of the series are actually closed and funded.

The Subordination Agreement is and shall continue to be subject to the provisions of the Intercreditor Agreement.

FOR THE PURPOSE OF SECURING:

Section 2. **Obligations**

(a) Payment of all Loan Repayments (as such term is defined in the Indentures) and other payments required under the Loan Agreements, including without limitation payment of the purchase price of Notes subject to mandatory purchase pursuant to the terms of the Indenture;

(b) Performance of each and every obligation, covenant and agreement of the Corporation, Trustor, and the Trustor's affiliates that are members of the Obligated Group under the. Master Indenture, contained in the Loan Agreements and payment of all amounts due to the Trustee under the Indentures; and

(c) Performance of each and every obligation, covenant and agreement of the Trustor contained in this Deed of Trust.

The foregoing obligations are hereinafter sometimes referred to as the **"Deed of Trust Obligations"**.

THIS DEED OF TRUST FURTHER WITNESSETH:

Section 3. **Security Agreement and Fixture Filing**

This Deed of Trust shall also constitute a security agreement and the Trustor hereby pledges and grants to the Beneficiary a security interest in and to all of the Property not constituting real property under the laws of the State of California (**"Personal Property"**), whether Trustor now or hereafter obtains an interest in such Personal Property and all the proceeds or products thereof, including but not limited to all of those items listed in **Exhibit B** attached hereto and made a part hereof. Upon any Event of Default of the Trustor hereunder, the Beneficiary shall be entitled to exercise with respect to all such collateral all of the rights and remedies set forth herein, in the Indentures or Loan. Agreements or otherwise afforded to a secured party in default under the terms of Division 9 of the California Uniform Commercial Code, any or all of which may be pursued and exercised concurrently, consecutively, alternatively or otherwise. The Trustor will execute one or more supplemental security agreements and cause to be completed and filed or the Beneficiary may cause to be completed and filed such financing statements as the Beneficiary may from time to time require, covering any property now or hereafter constituting a portion of the Property and otherwise the collateral securing the indebtedness secured hereunder and such financing statements and other and further assurances as the Beneficiary may request to perfect or evidence the security interest herein created (which shall cover all proceeds and products of collateral), including but not limited to, UCC-1 Financing Statements (which shall contain the description of collateral attached as **Exhibit B**) and UCC Continuation Statements.

The Trustor will pay all costs of filing any financing, continuation or termination statements with respect to the security interest created by this Deed of Trust; and the Beneficiary is hereby appointed the Trustor's attorney-in-fact to do, at the Beneficiary's option and at the Trustor's expense, all acts and things which the Beneficiary may deem necessary to perfect and continue perfected the security interest created by this Deed of Trust and to protect the Property. The Beneficiary may execute, sign, endorse, transfer or deliver, in the name of the Trustor, notes, checks, drafts or other instruments for the payment of money and receipts, certificates of origin, certificates of title, applications for certificates of title, or any other documents necessary to evidence, perfect or realize upon the security interests and secured indebtedness created or secured by this Deed of Trust, this authority shall be considered a power coupled with an interest and shall be irrevocable until all the indebtedness secured hereby shall have been paid in full.

This Deed of Trust constitutes a Financing Statement filed as a fixture filing in the Official Records of the County Recorder of the County in which the property is located with respect to any and all Fixtures (as defined by the Uniform Commercial Code), included within the term "Property" as used in this Deed of Trust and with respect to any goods or other Personal Property that may now be or hereafter become such Fixtures. The address of Beneficiary, from which information concerning the security interest granted hereunder may be obtained is:

U.S. Bank National Association

633 W 5th Street, 24th Floor
Los Angeles, CA 90071

All references in this Deed of Trust to Uniform Commercial Code shall be to the Uniform Commercial Code, as enacted in the State of California.

Section 4. **Absolute Assignment; Assignment of Leases and Rents**

The Trustor hereby absolutely, unconditionally and irrevocably assigns to the Beneficiary the Leases and the absolute right to collect the Rents. The Beneficiary authorizes the Trustor, prior to any default in the payment of any indebtedness secured hereby or in the performance of any covenant or obligation hereunder without notice, to collect and use all such Rents as they become due and payable and to exercise all rights under the Leases if not otherwise restricted under the Indentures or Loan Agreements. The foregoing assignment shall not impose upon the Beneficiary any duty to produce Rents from the Property or cause the Beneficiary to be a "mortgagee in possession" for any purpose.

Except as otherwise permitted under the Indentures or Loan Agreements, the Trustor agrees that it will not amend, modify, change or waive, or consent to any amendment, modification, change or waiver of, any term or provision of the Leases without the prior written consent of the Beneficiary.

The Trustor agrees that it will take all steps and do all things necessary to keep and maintain the Leases in full force and effect and will enforce or cause to be enforced all and singular the provisions thereof, and bring and prosecute or cause to be prosecuted any and all suits, actions and proceedings necessary to enforce compliance with all of the terms, provisions and covenants thereof. If, in the reasonable opinion of the Beneficiary, the Trustor has failed, or is about to fail, to take suitable action to enforce the Leases or any guaranty thereof or to first preserve any rights or remedies thereunder, the Beneficiary, after giving five (5) days' written notice to the Trustor, may, but is not required to, take such action as it shall deem appropriate, in its own name or in the name of the Trustor for the use and benefit of the Beneficiary, to enforce the Leases and to preserve any rights or remedies thereunder, and all costs and expenses incurred by the Beneficiary in taking any such action, shall be payable on demand and shall constitute part of the secured indebtedness hereunder.

Section 5. **Events of Default and Acceleration**

(a) Event of Default. An "Event of Default" under this Deed of Trust shall mean (i) a default in the payment of any of the Deed of Trust Obligations as same becomes due and payable after any applicable notice and cure period, as set forth in the agreement creating the applicable obligation, (ii) failure to observe or perform any other terms, covenants or agreements under this Deed of Trust beyond any applicable notice and cure periods set forth elsewhere herein (and, if no specific cure period or time for performance is specified elsewhere herein, a notice and cure period of twenty (20) days shall apply), or the breach of any representation or warranty of Trustor hereunder, and (iii) the occurrence of an "Event of Default" under, and as defined in, the Indentures and the Loan Agreements including any amendments, modifications and supplements thereto, from time to time.

(b) Acceleration. In the event of any Event of Default under this Deed of Trust or under any other agreements secured hereby, the Beneficiary shall have the option of declaring the unpaid balance owing under the Indentures or Loan Agreements and any other sums secured hereby immediately due and payable as provided in the Indentures or Loan Agreements.

Section 6. **Covenants of the Trustor**

For the purpose of protecting and preserving the security of this Deed of Trust, the Trustor promises and agrees to do the following:

(a) (1) to take all action necessary to keep the Property at all times entirely free of dry rot, fungus, termites, beetles and all other wood-boring, wood-eating, harmful or destructive insects, and in all respects properly to care for and keep all of the Property, including all such buildings, structures and other improvements, in good condition and repair, ordinary wear and tear excepted;

(2) to complete promptly and in good and businesslike manner any building or other improvements which may be constructed on the Land, to promptly restore in like manner (to the extent permitted by law) any Facilities which may be damaged or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefor, provided that the Trustor shall not be required to pay any such claim if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in a manner reasonably satisfactory to the Trustee;

(3) to comply with all laws, ordinances, regulations, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements to be made thereon, including without limitation any environmental law;

(4) not to commit or permit (to the extent within its control) any waste, and not to permit any deterioration of, nor abandon, the Property;

(5) not to commit, suffer or permit (to the extent within its control) any act to be done in or upon the Property in violation of any law or ordinance if such act might have consequences that would adversely affect the financial condition, assets, properties or operation of the Trustor;

(6) not to cause nor permit (to the extent within its control) any building, structure or improvement or other property now or hereafter covered by the lien of this Deed of Trust and comprising part of the Property to be removed or demolished or structurally changed or altered, except as permitted hereunder or under the Indentures, the Loan Agreements, or any other agreements secured hereby (including any amendments, modifications and supplements thereto, from time to time), in whole or in part, or any fixture comprising part of the Property to be removed, severed or destroyed, without the prior written consent of the Beneficiary and the Trustee. Simultaneously with, or prior to, any such permitted removal, any such fixtures shall be replaced with other fixtures to perform the function of the fixtures removed and of a value at least equal to that of the fixtures replaced and free from any title retention or

security agreement or other encumbrance. By such removal and replacement, the Trustor shall be deemed to have subjected such fixtures to the lien of this Deed of Trust;

(7) except in the necessary and ordinary course of its business not, without the prior written consent of the Beneficiary and Trustee, to enter into any lease, license or tenancy of any kind for the whole or any material part of the Property. All such leases, licenses or tenancies entered into hereafter shall be subordinate to this Deed of Trust and shall, at the written request of Beneficiary, contain a covenant on the part of the tenant, enforceable by Beneficiary, obligating such tenant, upon an uncured Event of Default hereunder and notice by Beneficiary, to attorn to and become a tenant of Beneficiary or any purchaser from Trustee or through foreclosure of this Deed of Trust, for the unexpired term of, and subject to the terms and conditions of, such future lease agreements and shall require tenant to enter into agreements with Beneficiary to affirm such obligations of tenant.

(b) to provide and maintain casualty and any other Insurance as required by the Loan Agreements and the Master Indenture, which insurance shall provide for the Trustee to be the loss payee;

(c) to appear in and defend any action or proceeding affecting or purporting to affect the security or the first priority lien of this Deed of Trust, any additional or other security for any of the Deed of Trust Obligations secured hereby, or the interest, rights, powers, or duties of the Trustee or the Beneficiary hereunder, it being agreed, however, that in the case of an action or proceeding against the Trustee or the Beneficiary, said Trustee or Beneficiary, at its option, may appear in and defend any such action or proceeding and, in addition, it being agreed that the Trustee or Beneficiary may commence any action or proceeding deemed necessary by it to perfect, maintain or protect such interest, rights, powers or duties, all in such manner and to such extent as it may determine in its sole discretion to be appropriate, and the Trustee or Beneficiary is authorized to pay, purchase or compromise on behalf of the Trustor any encumbrance or claim which in its judgment appears or purports to affect the security hereof or to be superior hereto; to pay all costs and expenses, including costs of evidence of title and attorney's fees in a reasonable sum, in any above-described action or proceedings in which the Beneficiary or the Trustee may appear;

(d) (1) to pay, and submit to the Beneficiary, at least five (5) days before default or delinquency, a receipt or other evidence of payment, or certified copy thereof, evidencing payment of all taxes and assessments affecting the Property, and any accrued interest, cost or penalty thereon, provided that the Trustor shall not be required to pay any such tax or assessment if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in a manner reasonably satisfactory to the Beneficiary;

(2) to pay when due all encumbrances (including any debt secured by deed of trust), ground rents, liens or charges, with interest, on the Property or any part thereof which appear to be prior or superior hereto, and to pay immediately and in full all such encumbrances, rents, liens or charges, if any, which may now be due or payable; provided that the Trustor shall not be required to pay any such encumbrances, rent, lien or charge if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in manner satisfactory to the Beneficiary;

(3) to pay when due all costs, fees and expenses of these trusts, including costs of evidence of title and the Trustee's fees in connection with sale, whether completed or not, which amounts shall become due upon delivery to the Trustee of declaration of default and demand for sale, as hereinafter provided;

(e) to pay immediately and without demand all reasonable and necessary sums expended or expense incurred by the Trustee or by the Beneficiary to enforce the terms of the Trust, including attorneys' fees, under any of the terms of this Deed of Trust, with interest from date of expenditure at the rate of ten percent (10%) per annum; and

(f) (1) to ensure that the Property shall be and remain in full compliance with all Federal, State and local environmental, health, safety and welfare laws and regulations, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), Public Law No. 96-510, 94 Stat. 2767, and the Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law No. 99-499, 100 Stat, 1613 ("Environmental Laws");

(2) to operate, and use commercially reasonable efforts to cause any of its tenants or occupants to operate, the Property in compliance with all Environmental Laws and further will not generate, manufacture, refine, produce, store, handle, transfer, process, transport or dispose of hazardous substances (as defined by CERCLA), as now in effect or as hereafter from time to time may be amended), Hazardous Wastes (as defined by the Resource Conservation and Recovery Act (RCRA), 42 U.S.C.A. § 6903(5), as now in effect or as hereafter from time to time may be amended), oils, radioactive materials, asbestos in any form or condition, or any pollutant or contaminant or hazardous, dangerous or toxic chemicals, materials or substances within the meaning of any other Environmental Laws, regulation, ordinance or requirements relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or materials, all as now in effect or hereafter from time to time may be amended (all of which are hereafter collectively referred to as "Hazardous Substances"), except to the extent required for the usual and lawful operation of the Property, and then strictly in accordance with Environmental Laws.

Section 7. **Acceptance Not Waiver**

By accepting payment of any sum secured hereby after its due date, neither the Trustee nor the Beneficiary shall be deemed to have waived its right either to require prompt payment when due of all other sums so secured or to declare default as herein provided for failure so to pay.

Section 8. **Conveyance, Easements, Subordination, Releases**

To the extent expressly permitted under the Indentures or the Loan Agreements, at any time, or from time to time, upon written request by the Beneficiary or Trustor, upon presentation of this Deed of Trust, and without affecting the liability of any Person for payment of the indebtedness secured hereby or the priority of lien created by this Deed of Trust upon the remainder of the Property, the Trustee shall reconvey any part of the Property, consent in writing to the making of any map or plat thereof, execute releases, join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

Section 9. **Right of Entry for Inspection**

The Trustee and the Beneficiary are each authorized, by themselves or their agents or workers, in a reasonable manner such as not to interfere with the Trustor's business in a materially adverse manner and, prior to an Event of Default, after giving notice to enter during reasonable business hours (or at any other time agreeable to the Trustor) to enter upon any part of the Property for the purpose of inspecting the same.

Section 10. **Entry, Possession, Operation of Property**

(a) Upon the occurrence of an Event of Default, the Trustee or the Beneficiary, in its sole discretion, and without releasing the Trustor from any obligation hereof, is authorized to do and may do any of the following:

(1) make any such payment or do any such act in such manner and to such extent as it may deem necessary to protect the security hereof, the Trustee and the Beneficiary being authorized to enter upon the Property for such purposes;

(2) pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which in the judgment of the Trustee or the Beneficiary may affect or appear to affect the security of this Deed of Trust, the interest of the Beneficiary or the rights, powers or duties of the Trustee or the Beneficiary hereunder;

(3) either by itself or by its agents, receiver, commissioner or other officer appointed by it for that purpose, enter into and upon and take and hold possession of any or all of the Property, exclude the Trustor and all other persons therefrom, and operate, store, use, maintain and manage the Property, and rent and lease the same and collect any and all rents, issues, income and profits therefrom, and from time to time apply the same or accumulate the same for application, in such order and manner as the Trustee or the Beneficiary in its sole discretion shall consider advisable, to the following: costs of collecting the same, including the Trustee's reasonable fees in so doing; the necessary and proper costs of upkeep, maintenance, repair, and operation of the Property; the repayment of any sums theretofore or thereafter advanced pursuant to the terms of this Deed of Trust; the interest and principal then due or next to become due upon any Deed of Trust Obligations; and the taxes and assessments upon the Property then due or next to become due. In the event the Trustee or the Beneficiary demands or attempts to take possession of the Property in the exercise of any rights under any of this Deed of Trust, the Trustor promises and agrees to promptly turn over and deliver complete possession thereof to the Trustee and the Beneficiary;

(4) commence an action to foreclose this Deed of Trust (either judicially or non-judicially, in accordance with law), appoint a receiver, specifically enforce any of the covenants hereof, or sell the Property pursuant to the power of sale herein conferred either personally or by means of a court appointed receiver;

(5) exercise any other rights or remedies which may now or hereafter be available to the Trustee or Beneficiary under this Deed of Trust, the Indentures, the Loan Agreements or any other document or instrument, or at law, in equity or by statute.

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(b) The collection or receipt of Rents from the Property by the Trustee or the Beneficiary after declaration of default and election to cause the Property to be sold under and pursuant to the terms of this Deed of Trust shall not affect or impair such default or declaration of default or election to cause the Property to be sold or any sale proceedings predicated thereon, but such proceedings may be conducted and sale effected notwithstanding the receipt or collection of any such Rents. Any such Rents in the possession of the Trustee or the Beneficiary at the time of sale and not theretofore applied as herein provided, shall be applied in the same manner and for the same purposes as the proceeds of the sale.

(c) The Trustee and the Beneficiary shall not be under any obligation to make any of the payments or do any of the acts above mentioned, but, upon election so to do, employment of an attorney is authorized and payment of such attorney's fees and of all other necessary expenditures is hereby secured.

(d) No remedy herein conferred upon or reserved to the Trustee or the Beneficiary is intended to be exclusive of any other remedy given hereunder. Every power or remedy given by this Deed of Trust, the Indentures and the Loan Agreements to the Trustee and the Beneficiary, or to which the Trustee and the Beneficiary may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee and the Beneficiary. No delay by Trustee or Beneficiary in exercising any such right or remedy shall operate as a waiver of any Event of Default or preclude the exercise of any such remedy during the continuance of that or any subsequent Event of Default.

Section 11. **Power of Sale**

(a) Should an Event of Default have occurred and be continuing, the Trustee, upon written request by the Beneficiary, shall declare all sums secured hereby immediately due and payable.

(b) Having so declared, the Trustee shall provide and record such notices of default and of the election to cause the Property or any part of it to be sold as are required by law.

(c) The Trustee, upon written request by the Beneficiary, from time to time before the Trustee's sale, may rescind any such notice of default and of election to cause to be sold the Property and may execute a written notice of such a rescission, which notice, when recorded, shall also constitute a cancellation of arty prior declaration of default and demand for sale. The exercise of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring or impair the right of the Beneficiary to execute and deliver to the Trustee, as above provided, other requests for notices of default and of election to cause to be sold the Property to satisfy the Deed of Trust Obligations, nor otherwise affect any provision, covenant or condition of this Deed of Trust or any of the rights, obligations or remedies of the parties hereunder.

(d) Not less than the time then required by law having elapsed after recordation of notice of default, without demand on the Trustor, the Trustee, having first given notice of sale as then required by law, shall sell the Property in the manner provided by law at

the time and place of sale fixed by it in the notice of sale, provided that the Trustee may postpone sale of all or any portion of the Property in the manner provided by law,

(e) The Trustee shall deliver to the purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied, and the recitals in such deed of any matters or facts affecting the regularity or validity of the sale shall be conclusive proof of the truthfulness thereof. Also, such deed shall be conclusive against all persons as to all matters or facts therein recited. Any person, including the Trustor, the Trustee and the Beneficiary, may purchase at such sale.

(f) The Trustee shall apply the proceeds of any such sale to payment of (1) all costs, fees, charges and expenses of the Trustee and of these trusts, and fees of any attorneys employed by the Trustee or the Beneficiary pursuant to the provisions hereof; (2) the Trustee's fees in connection with the sale, and all expenses of sale, including the cost of procuring evidence of title in connection with the sale proceedings and revenue stamps on the Trustee's deed; and (3) all other sums secured hereby, including interest on each of the foregoing items, all in such manner and order of priority or preference as the Beneficiary may in its sole and absolute discretion direct. The remainder, if any, of such proceeds, shall be paid to the person or persons legally entitled thereto, upon proof satisfactory to the Trustee of such right.

(g) Trustor waives, to the extent permitted by law, (i) the benefit of all present and future laws providing for any appraisement before sale of any portion of the Property, and (ii) all rights of redemption, valuation, stay of execution, notice of election to mature or declare due the Deed of Trust Obligations, and marshaling in the event of foreclosure of this Deed of Trust or exercise of the power of sale herein, including any rights under California Civil Code Sections 2899 and 3433.

Section 12. **Satisfaction and Reconveyance**

Upon written request of the Beneficiary stating that all sums secured hereby have been paid, and upon surrender to the Trustee of this Deed of Trust and upon payment of its fees, the Trustee shall reconvey and release, without warranty, the Property, it being further agreed that the recitals in such reconveyance and release of any matters or facts shall be conclusive proof of the truthfulness thereof and that the grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

Section 13. **Additional Security**

The Trustee shall be entitled to enforce payment and performance of any indebtedness or Deed of Trust Obligations and to exercise all rights and powers under this Deed of Trust or under any other agreement or any laws now or hereafter in force, notwithstanding that some or all of the indebtedness and obligations secured hereby are now or shall hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise; and neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Trustee's or the Beneficiary's right to realize upon or enforce any other security now or hereafter held by the Trustee or the Beneficiary, it being agreed either that the Trustee or the Beneficiary shall be entitled to enforce this Deed of Trust and any other security now or hereafter

held by the Beneficiary or the Trustee in such order and manner as it may in its uncontrolled discretion determine.

Section 14. **Notice of Actions**

The Trustee shall be under no obligation to notify any party hereto of any action or proceeding of any kind in which the Trustor, the Beneficiary or the Trustee shall be a party, unless brought by the Trustee, or of any pending sale under any other deed of trust.

Section 15. **Waiver of Statute of Limitations**

The right to plead any and all statutes of limitations as a defense to any demand secured by this Deed of Trust is hereby waived.

Section 16. **Irrevocable by the Trustor**

The trust created hereby is irrevocable by the Trustor until the Deed of Trust Obligations are paid in full.

Section 17. **Substitution of Trustee**

The Beneficiary may substitute a successor Trustee from time to time by recording at the places required by law an instrument stating the election by the Beneficiary to make such substitution and identifying this Deed of Trust.

Section 18. **Notices**

All notices, requests or communications required or permitted to be given in this Deed of Trust, including any notice of default and any notice of sale to the Trustor under this Deed of Trust, shall be in writing and mailed or delivered to the respective party as follows:

Trustor:

ST. FRANCIS MEDICAL CENTER
c/o Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, California 94065
Attention: Vice President and Treasurer

with a copy to:
Gary F. Torrell, Esq,
Valensi Rose, PLC
1888 Century Park East, Suite 1100
Los Angeles, California 90067

and with a copy to:
Robyn Helmlinger, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, California 94111

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Trustee: CHICAGO TITLE INSURANCE COMPANY
725 S. Figueroa Street, Suite 200
Los Angeles, California 90017

Beneficiary: U.S. Bank National Association
633 W 5th Street, 24th Floor
Los Angeles, CA 90071

with a copy to:
Len Weiser-Varon, Esq.
Mintz Levin Cohn Ferris Glovsky and Popeo PC
One Financial Center
Boston, MA 02111

The Trustor, the Trustee and the Beneficiary may, by notice given hereunder, designate any further or different address to which subsequent notices, notice of default, notice of sale, statements and other communications shall be sent.

Section 19. **Successors Round**

This Deed of Trust shall be binding upon, and shall inure to, the respective parties hereto, the Beneficiary, and their legal representatives, successors in office or interest, and their permitted assigns.

Section 20. **Severability of Invalid Provisions**

If any provision of this Deed of Trust should be held unenforceable or void, in whole or in part, then such unenforceable or void provision or part shall be deemed separable from the remaining provisions and shall in no way affect the validity of the remainder of this Deed of Trust.

Section 21. **Releases or Reconveyances**

Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any property not then or theretofore released as security for the full amount of all unpaid Deed of Trust Obligations, the Trustee may, upon written request by the Beneficiary in accordance with the Indentures, from time to time, and without notice to the Trustor, release any person other than the Trustor so liable, extend the maturity or alter any of the terms of any such obligation, or grant other indulgences, release or reconvey, or cause to be released or reconveyed, any portion or all of the Property, release any other or additional security for any obligation herein mentioned, or make compositions or other arrangements with debtors in relation thereto; and if the Trustee at any time holds any additional security for any Deed of Trust Obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same at its option, either before or concurrently herewith or after a sale is made hereunder.

Section 22. **Further Acts**

Trustor will, at the cost of Trustor, and without expense to Trustee or Beneficiary, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, Uniform Commercial Code financing statements or continuation statements, transfers and assurances as Trustee and Beneficiary shall, from time to time, require, for the better assuring, conveying, assigning, transferring, and confirming the first priority lien, property and rights hereby deeded, mortgaged, given, granted, bargained, sold, alienated, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Trustor may be or may hereafter become bound to convey or assign to Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust. Notwithstanding the foregoing, the Trustor shall not be required to execute or deliver any of the foregoing documents if any such documents has the effect of increasing the liabilities and/or obligations of the Trustor under this Deed of Trust and/or effectively causing an amendment to this Deed of Trust which increases the monetary obligations of the Trustor beyond those which are originally set forth herein.

Trustor agrees to pay all costs and expenses (including, without limitation, reasonable legal fees) of Trustee and Beneficiary in connection with any amendments or modifications of this Deed of Trust, or in connection with the confirmation, perfection and/or protection of the security interests granted hereby or thereby, as well as the costs and expenses (including, without limitation, the reasonable fees and out-of-pocket expenses of legal counsel) incurred by the Trustee and Beneficiary in connection with interpreting, preserving, enforcing or exercising any rights or remedies under this Deed of Trust, all whether or not legal action is instituted, which shall be payable on demand and shall constitute part of the secured indebtedness hereunder.

Section 23. **Priority of Lien**

It is understood and agreed that the lien of this Deed of Trust is a first lien on the fee simple interest of the Property. Trustor shall not grant nor permit any additional lien against the Property, except to the extent expressly permitted by the Master Indenture or the Indentures, or the Loan Agreements or any other agreements secured hereby (including any amendments, modifications and supplements thereto, from time to time), and in any event Trustor, shall ensure that no lien, right or interest shall be issued against the Property that is senior or of equal priority to the first priority lien set forth in this Deed of Trust.

Section 24. **Readings and References**

The headings or titles of the several sections, subsections and subdivisions hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Deed of Trust. All references herein to "sections," "subsections" and other subdivisions are to the corresponding sections, subsections or subdivisions of this Deed of Trust. The words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Deed of Trust as a whole and not to any particular section, subsection or subdivision hereof. Words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 25. **Governing Law**

The internal laws of the State of California shall govern this Deed of Trust, the interpretation thereof and any right or liability arising hereunder without regard to conflict of laws provisions.

Section 26. **Attorney's Fees**

In the event of any action at law or in equity between the parties hereto to interpret or enforce any of the provisions of this Deed of Trust, the nonprevailing party or parties to such litigation shall pay to the prevailing party or parties all costs and expenses, including actual attorney's fees incurred therein by such prevailing party or parties; and if such prevailing party or parties shall recover judgment in any such action or proceeding, such costs, expenses and attorney's fees may be included in and as part of such judgment. The prevailing party shall be the party who is entitled to recover its costs of suit, whether or not the suit proceeds to final judgment. A party not entitled to recover its costs of suit shall not recover attorney's fees.

[Signature on following page]

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IN WITNESS WHEREOF, Trustor has executed this Deed of Trust under seal on the day and year first above written above.

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of St. Francis Medical Center

By: _____
Name: Ty Conner
Title: Vice President and Treasurer

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ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Mateo)

On 12/28/19, before me, Matthew E. Hopper, a Notary Public personally appeared Ty H. Conner, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

NRO1 MATTHEW E. HOPPER COMM. #2169580 Notary Public - California San Mateo County My Comm. Expires Oct. 25, 2020 NRO1

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EXHIBIT A

Legal Description of Real Property
(Commonly known as 5957 Atlantic Blvd., Maywood, CA
also known as 5953 Atlantic Blvd., Maywood, CA, together with surface parking)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

THE EAST HALF OF LOT 1381 AND ALL OF LOT 1382 OF TRACT NO, 3648, IN THE CITY OF MAYWOOD, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 40, PAGES 60 AND 61 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THAT PORTION OF 59TH PLACE, ADJACENT ON THE NORTH, AS VACATED BY RESOLUTION NO, 84-3554, CERTIFIED COPIES THEREOF BEING RECORDED NOVEMBER 2, 1984 AS INSTRUMENT NO. 84-1314508 AND JANUARY 8, 1985 AS INSTRUMENT NO. 85-23585, OFFICIAL RECORDS, WHICH PASSES BY OPERATION OF LAW.

PARCEL 2:

ALL APPURTENANT NONEXCLUSIVE EASEMENTS FOR RIGHT OF VEHICULAR AND PEDESTRIAN INGRESS, EGRESS AND PARKING, AS CONVEYED UNDER THAT CERTAIN "RECIPROCAL EASEMENT AGREEMENT", DATED OCTOBER 19, 1984, RECORDED JANUARY 25, 1985 AS INSTRUMENT NO. 85-87206, OFFICIAL RECORDS, SUBJECT TO THE TERMS AND PROVISIONS CONTAINED THEREIN, AND FURTHER SUBJECT TO THE SUBSEQUENT "SUBORDINATION" RECORDED JULY 16, 1985 AS INSTRUMENT NO. 85-812603, OFFICIAL RECORDS.

APN: 6313-013-026 AND 028

EXHIBIT B

Description of Collateral

All right, title and interest that ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation, which is defined as "Trustor" in that certain Deed of Trust and Assignment of Leases and Rents with Fixture Filing and Security Agreement dated as of December 14, 2015 and amended and restated as of December 1, 2017 now has or may hereafter acquire in:

(i) All buildings, structures, improvements, fixtures, equipment and appurtenances now and hereafter owned, constructed, located, erected, installed or affixed by or on behalf of the Trustor upon or appurtenant to the Land and all replacements arid substitutions therefor (**"Facilities"**);

(ii) All appurtenances, improvements, easements, pipes, transmission lines or wires and other rights used in connection with the Land or as a means of access thereto, whether now or hereafter owned or constructed or placed upon or in the Land or Facilities (**"Appurtenances"**);

(iii) All equipment, machinery, goods and other personal property of the Trustor, whether movable or not, if the same is (a) now owned or hereafter acquired by the Trustor, (b) now or hereafter located at or used in connection with the Facilities, (c) financed with the proceeds of Obligations, or (d) obtained in order to satisfy the obligations of the Corporation or any other obligor under or with respect to the Indentures or the Loan Agreements, and all improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor, including, without limitation, all machinery, equipment, material, furnishings and appliances for generation or distribution of air, water, heat, electricity, light, fuel or refrigeration, for purposes of ventilation, sanitation or drainage, for exclusion of vermin or insects, for removal or disposal of dust, refuse or garbage; all elevators, awnings, window coverings, floor covering, laundry equipment, kitchen equipment, cabinets, furniture and furnishings; all fixed and moveable equipment now or hereafter installed or placed upon or in the Land or Facilities for use in health care, treatment, diagnosis and services or for other health care uses; the products and proceeds from any and all such property; all the estate, interest, right, title, property or other claim or demand of every nature whatsoever, in and to such property, including specifically, but without limitation, all deposits made with or other security given to utility companies by the Trustor with respect to such property and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire (**"Equipment"**);

(iv) All leases, subleases, licenses, occupancy agreements and tenancies of any kind with respect to the Land, Facilities, Appurtenances and Equipment (collectively, the **"Leases"**);

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(v) All rentals or other payments which may now or hereafter accrue or otherwise become payable under the Leases to or for the benefit of the Trustor together with all other income, rents, revenues, issues, profits, lease guarantees, letters of credit, reserves and royalties produced by the Land, Facilities, Appurtenances and Equipment or by all management or service contracts or other contracts affecting the Property, including but not limited to security deposits (collectively, the **"Rents"**);

(vi) All earnings, products, damages, indemnifications, insurance proceeds and any other proceeds from any and all of such Land, Facilities, Appurtenances, Equipment, Inventory (defined below), Leases and Rents including specifically, but without limitation, all deposits made with or other security given to utility companies and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire, including all advance payments of insurance premiums made by the Trustor with respect thereto (**"Proceeds"**); and

(vii) All right, title and interest of the Trustor in all the Trustor's inventory, raw materials, work in process, finished goods and goads held for sale or lease or furnished under contracts of service, and all returned and repossessed goods, and all goods covered by documents of title, including warehouse receipts, bills of lading and all other documents of every type covering all or any part of the Property, now owned or hereafter acquired, whether held by the Trustor or any third party, which is located on, appurtenant to, relating to, or used by or useful in connection with the Property (**"Inventory"**).

All of the above referenced Land, Facilities, Appurtenances, Equipment, Leases, Rents, Proceeds and Inventory as hereby conveyed to the Trustee or made subject to the security interest herein described is collectively referred to herein as the **"Property"**).

EXHIBIT K

RECORDING REQUESTED BY:
Chicago Title Company - C/I
Order No.: FWPS-TO17001505

When Recorded Mail Document To:

Attn: Robyn Helmlinger, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, California 94111

THIS DOCUMENT HAS BEEN ELECTRONICALLY RECORDED. SEE THE ATTACHED COVER PAGE FOR RECORDING INFORMATION

SECOND AMENDED AND RESTATED DEED OF TRUST WITH FIXTURE FILING AND SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS

THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
(Additional recording fee applies)

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

Attn: Robyn Helmlinger, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, California 94111

This document is exempt from filing fees under California Government Code § 6103 and § 27383.
No documentary transfer tax per California Revenue and Taxation Code § 11921.

Property Address: 9400 No Name Uno, Gilroy, CA

APN: 835-05-031 and 835-05-032

SECOND AMENDED AND RESTATED DEED OF TRUST WITH FIXTURE FILING AND SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS

This SECOND AMENDED AND RESTATED DEED OF TRUST WITH FIXTURE FILING AND SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS (the **"Deed of Trust"**) made as of December 14, 2015, recorded as Instrument Number 23173256 on December 16, 2015 at 8:00 a.m., amended and restated as of September 15, 2017, recorded as Instrument Number 23755466 on September 18, 2017 at 8:00am, and amended and restated as of December 28, 2017, by SAINT LOUISE REGIONAL HOSPITAL, a California nonprofit public benefit corporation (the **"Trustor"**), to CHICAGO TITLE INSURANCE COMPANY (the **"Trustee"**), as trustee hereunder for the benefit of U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America (the **"Beneficiary"**), in the capacity as trustee under those four certain indentures by and between the California Public Finance Authority (the **"Authority"**) and the Beneficiary as such trustee dated as of December 1, 2015 (collectively, as amended, modified, and amended and restated from time to time, the **"2015 Indentures"**) relating to four separate note issuances in the respective amounts of $60,000,000 (the **"Series 2015A Notes"**); $45,000,000 (the **"Series 2015B Notes"**); $10,000,000 (the **"Series 2015C Notes"**); and $45,000,000 (the **"Series 2015D Notes"**); and that certain indenture by and between the Authority and the Beneficiary as such trustee, dated as of September 1, 2017 (the **"2017 Indenture"**), relating to the note issuance in the amount of $21,000,000 (as amended, modified, and amended and restated from time to time, the **"Series 2017 Notes"**); and that certain indenture by and between the Authority and the Beneficiary as such trustee, dated as of December 1, 2017 (as amended, modified, and amended and restated from time to time, the **"2017B Indenture"** and together with the 2017 Indenture and the 2015 Indentures, the **"Indentures"**), relating to a note issuance in the aggregate amount of $21,000,000 (the **"Series 2017B Notes"**). This Deed of Trust also secures the payment and other obligations of Verity

Health System of California, Inc. (the **"Corporation"**), the Trustor's sole member, the Trustor and the Trustor's affiliates that are members of the Obligated Group under the Master Indenture (defined below) under and with respect to the four Loan Agreements dated as of December 1, 2015 and the Loan Agreement dated as of December 1, 2017, each between the Authority and the Corporation pursuant to which the Authority has loaned to the Corporation the proceeds of the Notes (collectively, as amended, modified, and amended and restated from time to time, the **"Loan Agreements"**); the Authority's rights under the Loan Agreements have been assigned by the Authority to the Beneficiary in its capacity as trustee for the Notes.

THIS DEED OF TRUST WITNESSETH:

Section 1. **Grant in Trust**

Subject to the terms and conditions contained in that certain Amended and Restated Intercreditor Agreement dated as of December 1, 2017 (the "Intercreditor Agreement") by and among the Beneficiary, in its respective capacities as Master Trustee (as defined below) and as trustee under the Indentures, and the Corporation, the Trustor irrevocably grants, transfers and absolutely, unconditionally and irrevocably assigns to the Beneficiary, in trust, with power of sale and right of entry and possession, the entire right, title and interest of Trustor in and to that certain real property (**"Land"**) situated in Santa Clara County, State of California (the **"County"**), and more particularly described in **Exhibit A** attached hereto and made a part hereof, all right, title and interest that the Trustor otherwise now has or may hereafter acquire in the Land, together with all right, title and interest that the Trustor now has or may hereafter acquire in:

(i) All buildings, structures, improvements, fixtures, equipment and appurtenances now and hereafter owned, constructed, located, erected, installed or affixed by or on behalf of the Trustor upon or appurtenant to the Land and all replacements and substitutions therefor (**"Facilities"**);

(ii) All appurtenances, improvements, easements, pipes, transmission lines or wires and other rights used in connection with the Land or as a means of access thereto, whether now or hereafter owned or constructed or placed upon or in the Land or Facilities (**"Appurtenances"**);

(iii) All equipment, machinery, goods and other personal property of the Trustor, whether movable or not, if the same is (a) now owned or hereafter acquired by the Trustor, (b) now or hereafter located at or used in connection with the Facilities, (c) financed with the proceeds of Obligations or (d) obtained in order to satisfy the obligations of the Corporation or any other obligor under or with respect to the Indentures or the Loan Agreements, and all improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor, including, without limitation, all machinery, equipment, material, furnishings and appliances for generation or distribution of air, water, heat, electricity, light, fuel or refrigeration, for purposes of ventilation, sanitation or drainage, for exclusion of vermin or insects, for removal or disposal of dust, refuse or garbage; all elevators, awnings, window coverings, floor covering, laundry equipment, kitchen equipment, cabinets, furniture and furnishings; all fixed and

moveable equipment now or hereafter installed or placed upon or in the Land or Facilities for use in health care, treatment, diagnosis and services or for other health care uses; the products and proceeds from any and all such property; all the estate, interest, right, title, property or other claim or demand of every nature whatsoever, in and to such property, including specifically, but without limitation, all deposits made with or other security given to utility companies by the Trustor with respect to such property and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire (**"Equipment"**);

(iv) All leases, subleases, licenses, occupancy agreements and tenancies of any kind with respect to the Land, Facilities, Appurtenances and Equipment (collectively, the **"Leases"**);

(v) All rentals or other payments which may now or hereafter accrue or otherwise become payable under the Leases to or for the benefit of the Trustor together with all other income, rents, revenues, issues, profits, lease guarantees, letters of credit, reserves and royalties produced by the Land, Facilities, Appurtenances and Equipment or by all management or service contracts or other contracts affecting the Property, including but not limited to security deposits (collectively, the **"Rents"**);

(vi) All earnings, products, damages, indemnifications, insurance proceeds and any other proceeds from any and all of such Land, Facilities, Appurtenances, Equipment, Inventory (defined below), Leases and Rents including specifically, but without limitation, all deposits made with or other security given to utility companies and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire, including all advance payments of insurance premiums made by the Trustor with respect thereto (**"Proceeds"**); and

(vii) All right, title and. interest of the Trustor in all the Trustor's inventory, raw materials, work in process, finished goods and goods held for sale or lease or furnished under contracts of service, and all returned and repossessed goods, and all goods covered by documents of title, including warehouse receipts, bills of lading and all other documents of every type covering all or any part of the Property, now owned or hereafter acquired, whether held by the Trustor or any third party, which is located on, appurtenant to, relating to, or used by or useful in connection with the Property (**"Inventory"**).

All of the above referenced Land, Facilities, Appurtenances, Equipment, Leases, Rents, Proceeds and Inventory as hereby conveyed to the Trustee or made subject to the security interest herein described is collectively referred to herein as the **"Property"**.

Pursuant to a master indenture of trust, dated as of December 1, 2001 (as may be amended, modified and supplemented, from time to time, the **"Master Indenture"**), between the Corporation, which is the sole corporate member of O'Connor Hospital, Saint Louise Regional Hospital, Seton Medical Center, St. Francis Medical Center and St. Vincent Medical Center, each a California nonprofit religious corporation, and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America,

as master trustee (the **"Master Trustee"**), and supplemental master indentures for Obligation Nos. 16, 17, 18 and 19 dated as of December 1, 2015, a supplemental master indenture for Obligation No. 21, dated as of September 1, 2017, and a supplemental master indenture for Obligation No. 22, dated as of December 1, 2017, each between the Corporation, as Obligated Group Representative, and the Master Trustee, the Corporation has issued its Obligation Nos. 16, 17, 18, 19, 21, and 22 to evidence the obligation of the Members (each as defined in the Master Indenture) to make payments sufficient to pay the principal of and interest on, and mandatory purchase price (if applicable) with respect to, the Series 2015A Notes, the Series 2015B Notes, the Series 2015C Notes, the Series 2015D Notes, the Series 2017 Notes, and Series 2017B Notes.

At the time that this Deed of Trust is recorded in the County but subsequent thereto, a separate subordination agreement of even date herewith by and between the Master Trustee and the Trustor (the **"Subordination Agreement"**) will be recorded as well. It is the intent of the parties to the Subordination Agreement that this Deed of Trust, when recorded in the County, shall be deemed to be a lien that is prior in right and time of payment to any deed of trust lien or lien on personal property or fixtures that are currently held by the Master Trustee under the Master Indenture. The Subordination Agreement is intended to provide that the lien of this Deed of Trust and any security interests granted under a separate agreement, will be all that is required to effectuate the superiority of the lien hereof over and above the lien of the deed of trust held by the Master Trustee which currently is a first lien on the Property. It is the further intent of the parties hereto, as well as the Master Trustee, that the Subordination Agreement will be in full force and effect as to any the security that is to be given for all four series of the Notes regardless of the dates that any of the series are actually closed and funded.

The Subordination Agreement is and shall continue to be subject to the provisions of the Intercreditor Agreement.

FOR THE PURPOSE OF SECURING:

Section 2. **Obligations**

(a) Payment of all Loan Repayments (as such term is defined in the Indentures) and other payments required under the Loan Agreements, including without limitation payment of the purchase price of Notes subject to mandatory purchase pursuant to the terms of the Indenture;

(b) Performance of each and every obligation, covenant and agreement of the Corporation, Trustor, and the Trustor's affiliates that are members of the Obligated Group under the. Master Indenture, contained in the Loan Agreements and payment of all amounts due to the Trustee under the Indentures; and

(c) Performance of each and every obligation, covenant and agreement of the Trustor contained in this Deed of Trust.

The foregoing obligations are hereinafter sometimes referred to as the **"Deed of Trust Obligations"**.

THIS DEED OF TRUST FURTHER WITNESSETH:

Section 3. **Security Agreement and Fixture Filing**

This Deed of Trust shall also constitute a security agreement and the Trustor hereby pledges and grants to the Beneficiary a security interest in and to all of the Property not constituting real property under the laws of the State of California (**"Personal Property"**), whether Trustor now or hereafter obtains an interest in such Personal Property and all the proceeds or products thereof, including but not limited to all of those items listed in **Exhibit B** attached hereto and made a part hereof. Upon any Event of Default of the Trustor hereunder, the Beneficiary shall be entitled to exercise with respect to all such collateral all of the rights and remedies set forth herein, in the Indentures or Loan. Agreements or otherwise afforded to a secured party in default under the terms of Division 9 of the California Uniform Commercial Code, any or all of which may be pursued and exercised concurrently, consecutively, alternatively or otherwise. The Trustor will execute one or more supplemental security agreements and cause to be completed and filed or the Beneficiary may cause to be completed and filed such financing statements as the Beneficiary may from time to time require, covering any property now or hereafter constituting a portion of the Property and otherwise the collateral securing the indebtedness secured hereunder and such financing statements and other and further assurances as the Beneficiary may request to perfect or evidence the security interest herein created (which shall cover all proceeds and products of collateral), including but not limited to, UCC-1 Financing Statements (which shall contain the description of collateral attached as **Exhibit B**) and UCC Continuation Statements.

The Trustor will pay all costs of filing any financing, continuation or termination statements with respect to the security interest created by this Deed of Trust; and the Beneficiary is hereby appointed the Trustor's attorney-in-fact to do, at the Beneficiary's option and at the Trustor's expense, all acts and things which the Beneficiary may deem necessary to perfect and continue perfected the security interest created by this Deed of Trust and to protect the Property. The Beneficiary may execute, sign, endorse, transfer or deliver, in the name of the Trustor, notes, checks, drafts or other instruments for the payment of money and receipts, certificates of origin, certificates of title, applications for certificates of title, or any other documents necessary to evidence, perfect or realize upon the security interests and secured indebtedness created or secured by this Deed of Trust, this authority shall be considered a power coupled with an interest and shall be irrevocable until all the indebtedness secured hereby shall have been paid in full.

This Deed of Trust constitutes a Financing Statement filed as a fixture filing in the Official Records of the County Recorder of the County in which the property is located with respect to any and all Fixtures (as defined by the Uniform Commercial Code), included within the term "Property" as used in this Deed of Trust and with respect to any goods or other Personal Property that may now be or hereafter become such Fixtures. The address of Beneficiary, from which information concerning the security interest granted hereunder may be obtained is:

U.S. Bank National Association
633 W 5th Street, 24th Floor
Los Angeles, CA 90071

All references in this Deed of Trust to Uniform Commercial Code shall be to the Uniform Commercial Code, as enacted in the State of California.

Section 4. **Absolute Assignment; Assignment of Leases and Rents**

The Trustor hereby absolutely, unconditionally and irrevocably assigns to the Beneficiary the Leases and the absolute right to collect the Rents. The Beneficiary authorizes the Trustor, prior to any default in the payment of any indebtedness secured hereby or in the performance of any covenant or obligation hereunder without notice, to collect and use all such Rents as they become due and payable and to exercise all rights under the Leases if not otherwise restricted under the Indentures or Loan Agreements. The foregoing assignment shall not impose upon the Beneficiary any duty to produce Rents from the Property or cause the Beneficiary to be a "mortgagee in possession" for any purpose.

Except as otherwise permitted under the Indentures or Loan Agreements, the Trustor agrees that it will not amend, modify, change or waive, or consent to any amendment, modification, change or waiver of, any term or provision of the Leases without the prior written consent of the Beneficiary.

The Trustor agrees that it will take all steps and do all things necessary to keep and maintain the Leases in full force and effect and will enforce or cause to be enforced all and singular the provisions thereof, and bring and prosecute or cause to be prosecuted any and all suits, actions and proceedings necessary to enforce compliance with all of the terms, provisions and covenants thereof. If, in the reasonable opinion of the Beneficiary, the Trustor has failed, or is about to fail, to take suitable action to enforce the Leases or any guaranty thereof or to first preserve any rights or remedies thereunder, the Beneficiary, after giving five (5) days' written notice to the Trustor, may, but is not required to, take such action as it shall deem appropriate, in its own name or in the name of the Trustor for the use and benefit of the Beneficiary, to enforce the Leases and to preserve any rights or remedies thereunder, and all costs and expenses incurred by the Beneficiary in taking any such action, shall be payable on demand and shall constitute part of the secured indebtedness hereunder.

Section 5. **Events of Default and Acceleration**

(a) Event of Default. An "Event of Default" under this Deed of Trust shall mean (i) a default in the payment of any of the Deed of Trust Obligations as same becomes due and payable after any applicable notice and cure period, as set forth in the agreement creating the applicable obligation, (ii) failure to observe or perform any other terms, covenants or agreements under this Deed of Trust beyond any applicable notice and cure periods set forth elsewhere herein (and, if no specific cure period or time for performance is specified elsewhere herein, a notice and cure period of twenty (20) days shall apply), or the breach of any representation or warranty of Trustor hereunder, and (iii) the occurrence of an "Event of Default" under, and as defined in, the Indentures and the Loan Agreements including any amendments, modifications and supplements thereto, from time to time.

(b) Acceleration. In the event of any Event of Default under this Deed of Trust or under any other agreements secured hereby, the Beneficiary shall have the option of

declaring the unpaid balance owing under the Indentures or Loan Agreements and any other sums secured hereby immediately due and payable as provided in the Indentures or Loan Agreements.

Section 6. **Covenants of the Trustor**

For the purpose of protecting and preserving the security of this Deed of Trust, the Trustor promises and agrees to do the following:

(a) (1) to take all action necessary to keep the Property at all times entirely free of dry rot, fungus, termites, beetles and all other wood-boring, wood-eating, harmful or destructive insects, and in all respects properly to care for and keep all of the Property, including all such buildings, structures and other improvements, in good condition and repair, ordinary wear and tear excepted;

(2) to complete promptly and in good and businesslike manner any building or other improvements which may be constructed on the Land, to promptly restore in like manner (to the extent permitted by law) any Facilities which may be damaged or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefor, provided that the Trustor shall not be required to pay any such claim if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in a manner reasonably satisfactory to the Trustee;

(3) to comply with all laws, ordinances, regulations, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements to be made thereon, including without limitation any environmental law;

(4) not to commit or permit (to the extent within its control) any waste, and not to permit any deterioration of, nor abandon, the Property;

(5) not to commit, suffer or permit (to the extent within its control) any act to be done in or upon the Property in violation of any law or ordinance if such act might have consequences that would adversely affect the financial condition, assets, properties or operation of the Trustor;

(6) not to cause nor permit (to the extent within its control) any building, structure or improvement or other property now or hereafter covered by the lien of this Deed of Trust and comprising part of the Property to be removed or demolished or structurally changed or altered, except as permitted hereunder or under the Indentures, the Loan Agreements, or any other agreements secured hereby (including any amendments, modifications and supplements thereto, from time to time), in whole or in part, or any fixture comprising part of the Property to be removed, severed or destroyed, without the prior written consent of the Beneficiary and the Trustee. Simultaneously with, or prior to, any such permitted removal, any such fixtures shall be replaced with other fixtures to perform the function of the fixtures removed and of a value at least equal to that of the fixtures replaced and free from any title retention or security agreement or other encumbrance. By such removal and replacement, the Trustor shall be deemed to have subjected such fixtures to the lien of this Deed of Trust;

(7) except in the necessary and ordinary course of its business not, without the prior written consent of the Beneficiary and Trustee, to enter into any lease, license or tenancy of any kind for the whole or any material part of the Property. All such leases, licenses or tenancies entered into hereafter shall be subordinate to this Deed of Trust and shall, at the written request of Beneficiary, contain a covenant on the part of the tenant, enforceable by Beneficiary, obligating such tenant, upon an uncured Event of Default hereunder and notice by Beneficiary, to attorn to and become a tenant of Beneficiary or any purchaser from Trustee or through foreclosure of this Deed of Trust, for the unexpired term of, and subject to the terms and conditions of, such future lease agreements and shall require tenant to enter into agreements with Beneficiary to affirm such obligations of tenant.

(b) to provide and maintain casualty and any other Insurance as required by the Loan Agreements and the Master Indenture, which insurance shall provide for the Trustee to be the loss payee;

(c) to appear in and defend any action or proceeding affecting or purporting to affect the security or the first priority lien of this Deed of Trust, any additional or other security for any of the Deed of Trust Obligations secured hereby, or the interest, rights, powers, or duties of the Trustee or the Beneficiary hereunder, it being agreed, however, that in the case of an action or proceeding against the Trustee or the Beneficiary, said Trustee or Beneficiary, at its option, may appear in and defend any such action or proceeding and, in addition, it being agreed that the Trustee or Beneficiary may commence any action or proceeding deemed necessary by it to perfect, maintain or protect such interest, rights, powers or duties, all in such manner and to such extent as it may determine in its sole discretion to be appropriate, and the Trustee or Beneficiary is authorized to pay, purchase or compromise on behalf of the Trustor any encumbrance or claim which in its judgment appears or purports to affect the security hereof or to be superior hereto; to pay all costs and expenses, including costs of evidence of title and attorney's fees in a reasonable sum, in any above-described action or proceedings in which the Beneficiary or the Trustee may appear;

(d) (1) to pay, and submit to the Beneficiary, at least five (5) days before default or delinquency, a receipt or other evidence of payment, or certified copy thereof, evidencing payment of all taxes and assessments affecting the Property, and any accrued interest, cost or penalty thereon, provided that the Trustor shall not be required to pay any such tax or assessment if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in a manner reasonably satisfactory to the Beneficiary;

(2) to pay when due all encumbrances (including any debt secured by deed of trust), ground rents, liens or charges, with interest, on the Property or any part thereof which appear to be prior or superior hereto, and to pay immediately and in full all such encumbrances, rents, liens or charges, if any, which may now be due or payable; provided that the Trustor shall not be required to pay any such encumbrances, rent, lien or charge if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in manner satisfactory to the Beneficiary;

(3) to pay when due all costs, fees and expenses of these trusts, including costs of evidence of title and the Trustee's fees in connection with sale, whether

completed or not, which amounts shall become due upon delivery to the Trustee of declaration of default and demand for sale, as hereinafter provided;

(e) to pay immediately and without demand all reasonable and necessary sums expended or expense incurred by the Trustee or by the Beneficiary to enforce the terms of the Trust, including attorneys' fees, under any of the terms of this Deed of Trust, with interest from date of expenditure at the rate of ten percent (10%) per annum; and

(f) (1) to ensure that the Property shall be and remain in full compliance with all Federal, State and local environmental, health, safety and welfare laws and regulations, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), Public Law No. 96-510, 94 Stat. 2767, and the Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law No. 99-499, 100 Stat, 1613 ("Environmental Laws");

(2) to operate, and use commercially reasonable efforts to cause any of its tenants or occupants to operate, the Property in compliance with all Environmental Laws and further will not generate, manufacture, refine, produce, store, handle, transfer, process, transport or dispose of hazardous substances (as defined by CERCLA), as now in effect or as hereafter from time to time may be amended), Hazardous Wastes (as defined by the Resource Conservation and Recovery Act (RCRA), 42 U.S.C.A. § 6903(5), as now in effect or as hereafter from time to time may be amended), oils, radioactive materials, asbestos in any form or condition, or any pollutant or contaminant or hazardous, dangerous or toxic chemicals, materials or substances within the meaning of any other Environmental Laws, regulation, ordinance or requirements relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or materials, all as now in effect or hereafter from time to time may be amended (all of which are hereafter collectively referred to as "Hazardous Substances"), except to the extent required for the usual and lawful operation of the Property, and then strictly in accordance with Environmental Laws.

Section 7. **Acceptance Not Waiver**

By accepting payment of any sum secured hereby after its due date, neither the Trustee nor the Beneficiary shall be deemed to have waived its right either to require prompt payment when due of all other sums so secured or to declare default as herein provided for failure so to pay.

Section 8. **Conveyance, Easements, Subordination, Releases**

To the extent expressly permitted under the Indentures or the Loan Agreements, at any time, or from time to time, upon written request by the Beneficiary or Trustor, upon presentation of this Deed of Trust, and without affecting the liability of any Person for payment of the indebtedness secured hereby or the priority of lien created by this Deed of Trust upon the remainder of the Property, the Trustee shall reconvey any part of the Property, consent in writing to the making of any map or plat thereof, execute releases, join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

Section 9. **Right of Entry for Inspection**

The Trustee and the Beneficiary are each authorized, by themselves or their agents or workers, in a reasonable manner such as not to interfere with the Trustor's business in a materially adverse manner and, prior to an Event of Default, after giving notice to enter during reasonable business hours (or at any other time agreeable to the Trustor) to enter upon any part of the Property for the purpose of inspecting the same.

Section 10. **Entry, Possession, Operation of Property**

(a) Upon the occurrence of an Event of Default, the Trustee or the Beneficiary, in its sole discretion, and without releasing the Trustor from any obligation hereof, is authorized to do and may do any of the following:

(1) make any such payment or do any such act in such manner and to such extent as it may deem necessary to protect the security hereof, the Trustee and the Beneficiary being authorized to enter upon the Property for such purposes;

(2) pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which in the judgment of the Trustee or the Beneficiary may affect or appear to affect the security of this Deed of Trust, the interest of the Beneficiary or the rights, powers or duties of the Trustee or the Beneficiary hereunder;

(3) either by itself or by its agents, receiver, commissioner or other officer appointed by it for that purpose, enter into and upon and take and hold possession of any or all of the Property, exclude the Trustor and all other persons therefrom, and operate, store, use, maintain and manage the Property, and rent and lease the same and collect any and all rents, issues, income and profits therefrom, and from time to time apply the same or accumulate the same for application, in such order and manner as the Trustee or the Beneficiary in its sole discretion shall consider advisable, to the following: costs of collecting the same, including the Trustee's reasonable fees in so doing; the necessary and proper costs of upkeep, maintenance, repair, and operation of the Property; the repayment of any sums theretofore or thereafter advanced pursuant to the terms of this Deed of Trust; the interest and principal then due or next to become due upon any Deed of Trust Obligations; and the taxes and assessments upon the Property then due or next to become due. In the event the Trustee or the Beneficiary demands or attempts to take possession of the Property in the exercise of any rights under any of this Deed of Trust, the Trustor promises and agrees to promptly turn over and deliver complete possession thereof to the Trustee and the Beneficiary;

(4) commence an action to foreclose this Deed of Trust (either judicially or non-judicially, in accordance with law), appoint a receiver, specifically enforce any of the covenants hereof, or sell the Property pursuant to the power of sale herein conferred either personally or by means of a court appointed receiver;

(5) exercise any other rights or remedies which may now or hereafter be available to the Trustee or Beneficiary under this Deed of Trust, the Indentures, the Loan Agreements or any other document or instrument, or at law, in equity or by statute.

(b) The collection or receipt of Rents from the Property by the Trustee or the Beneficiary after declaration of default and election to cause the Property to be sold under and pursuant to the terms of this Deed of Trust shall not affect or impair such default or declaration of default or election to cause the Property to be sold or any sale proceedings predicated thereon, but such proceedings may be conducted and sale effected notwithstanding the receipt or collection of any such Rents. Any such Rents in the possession of the Trustee or the Beneficiary at the time of sale and not theretofore applied as herein provided, shall be applied in the same manner and for the same purposes as the proceeds of the sale.

(c) The Trustee and the Beneficiary shall not be under any obligation to make any of the payments or do any of the acts above mentioned, but, upon election so to do, employment of an attorney is authorized and payment of such attorney's fees and of all other necessary expenditures is hereby secured.

(d) No remedy herein conferred upon or reserved to the Trustee or the Beneficiary is intended to be exclusive of any other remedy given hereunder. Every power or remedy given by this Deed of Trust, the Indentures and the Loan Agreements to the Trustee and the Beneficiary, or to which the Trustee and the Beneficiary may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee and the Beneficiary. No delay by Trustee or Beneficiary in exercising any such right or remedy shall operate as a waiver of any Event of Default or preclude the exercise of any such remedy during the continuance of that or any subsequent Event of Default.

Section 11. **Power of Sale**

(a) Should an Event of Default have occurred and be continuing, the Trustee, upon written request by the Beneficiary, shall declare all sums secured hereby immediately due and payable.

(b) Having so declared, the Trustee shall provide and record such notices of default and of the election to cause the Property or any part of it to be sold as are required by law.

(c) The Trustee, upon written request by the Beneficiary, from time to time before the Trustee's sale, may rescind any such notice of default and of election to cause to be sold the Property and may execute a written notice of such a rescission, which notice, when recorded, shall also constitute a cancellation of arty prior declaration of default and demand for sale. The exercise of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring or impair the right of the Beneficiary to execute

and deliver to the Trustee, as above provided, other requests for notices of default and of election to cause to be sold the Property to satisfy the Deed of Trust Obligations, nor otherwise affect any provision, covenant or condition of this Deed of Trust or any of the rights, obligations or remedies of the parties hereunder.

(d) Not less than the time then required by law having elapsed after recordation of notice of default, without demand on the Trustor, the Trustee, having first given notice of sale as then required by law, shall sell the Property in the manner provided by law at the time and place of sale fixed by it in the notice of sale, provided that the Trustee may postpone sale of all or any portion of the Property in the manner provided by law,

(e) The Trustee shall deliver to the purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied, and the recitals in such deed of any matters or facts affecting the regularity or validity of the sale shall be conclusive proof of the truthfulness thereof. Also, such deed shall be conclusive against all persons as to all matters or facts therein recited. Any person, including the Trustor, the Trustee and the Beneficiary, may purchase at such sale.

(f) The Trustee shall apply the proceeds of any such sale to payment of (1) all costs, fees, charges and expenses of the Trustee and of these trusts, and fees of any attorneys employed by the Trustee or the Beneficiary pursuant to the provisions hereof; (2) the Trustee's fees in connection with the sale, and all expenses of sale, including the cost of procuring evidence of title in connection with the sale proceedings and revenue stamps on the Trustee's deed; and (3) all other sums secured hereby, including interest on each of the foregoing items, all in such manner and order of priority or preference as the Beneficiary may in its sole and absolute discretion direct. The remainder, if any, of such proceeds, shall be paid to the person or persons legally entitled thereto, upon proof satisfactory to the Trustee of such right.

(g) Trustor waives, to the extent permitted by law, (i) the benefit of all present and future laws providing for any appraisement before sale of any portion of the Property, and (ii) all rights of redemption, valuation, stay of execution, notice of election to mature or declare due the Deed of Trust Obligations, and marshaling in the event of foreclosure of this Deed of Trust or exercise of the power of sale herein, including any rights under California Civil Code Sections 2899 and 3433.

Section 12. **Satisfaction and Reconveyance**

Upon written request of the Beneficiary stating that all sums secured hereby have been paid, and upon surrender to the Trustee of this Deed of Trust and upon payment of its fees, the Trustee shall reconvey and release, without warranty, the Property, it being further agreed that the recitals in such reconveyance and release of any matters or facts shall be conclusive proof of the truthfulness thereof and that the grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

Section 13. **Additional Security**

The Trustee shall be entitled to enforce payment and performance of any indebtedness or Deed of Trust Obligations and to exercise all rights and powers under this Deed

of Trust or under any other agreement or any laws now or hereafter in force, notwithstanding that some or all of the indebtedness and obligations secured hereby are now or shall hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise; and neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Trustee's or the Beneficiary's right to realize upon or enforce any other security now or hereafter held by the Trustee or the Beneficiary, it being agreed either that the Trustee or the Beneficiary shall be entitled to enforce this Deed of Trust and any other security now or hereafter held by the Beneficiary or the Trustee in such order and manner as it may in its uncontrolled discretion determine.

Section 14. **Notice of Actions**

The Trustee shall be under no obligation to notify any party hereto of any action or proceeding of any kind in which the Trustor, the Beneficiary or the Trustee shall be a party, unless brought by the Trustee, or of any pending sale under any other deed of trust.

Section 15. **Waiver of Statute of Limitations**

The right to plead any and all statutes of limitations as a defense to any demand secured by this Deed of Trust is hereby waived.

Section 16. **Irrevocable by the Trustor**

The trust created hereby is irrevocable by the Trustor until the Deed of Trust Obligations are paid in full.

Section 17. **Substitution of Trustee**

The Beneficiary may substitute a successor Trustee from time to time by recording at the places required by law an instrument stating the election by the Beneficiary to make such substitution and identifying this Deed of Trust.

Section 18. **Notices**

All notices, requests or communications required or permitted to be given in this Deed of Trust, including any notice of default and any notice of sale to the Trustor under this Deed of Trust, shall be in writing and mailed or delivered to the respective party as follows:

Trustor:
SAINT LOUISE REGIONAL HOSPITAL
c/o Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, California 94065
Attention: Vice President and Treasurer

with a copy to:
Gary F. Torrell, Esq,
Valensi Rose, PLC

1888 Century Park East, Suite 1100
Los Angeles, California 90067

and with a copy to:
Robyn Helmlinger, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, California 94111

Trustee: CHICAGO TITLE INSURANCE COMPANY
725 S. Figueroa Street, Suite 200
Los Angeles, California 90017

Beneficiary: U.S. Bank National Association
633 W 5th Street, 24th Floor
Los Angeles, CA 90071

with a copy to:
Len Weiser-Varon, Esq.
Mintz Levin Cohn Ferris Glovsky and Popeo PC
One Financial Center
Boston, MA 02111

The Trustor, the Trustee and the Beneficiary may, by notice given hereunder, designate any further or different address to which subsequent notices, notice of default, notice of sale, statements and other communications shall be sent.

Section 19. **Successors Round**

This Deed of Trust shall be binding upon, and shall inure to, the respective parties hereto, the Beneficiary, and their legal representatives, successors in office or interest, and their permitted assigns.

Section 20. **Severability of Invalid Provisions**

If any provision of this Deed of Trust should be held unenforceable or void, in whole or in part, then such unenforceable or void provision or part shall be deemed separable from the remaining provisions and shall in no way affect the validity of the remainder of this Deed of Trust.

Section 21. **Releases or Reconveyances**

Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any property not then or theretofore released as security for the full amount of all unpaid Deed of Trust Obligations, the Trustee may, upon written request by the Beneficiary in accordance with the Indentures, from time to time, and without notice to the Trustor, release any person other than the Trustor so liable, extend the maturity or alter any of the terms of any such obligation, or

grant other indulgences, release or reconvey, or cause to be released or reconveyed, any portion or all of the Property, release any other or additional security for any obligation herein mentioned, or make compositions or other arrangements with debtors in relation thereto; and if the Trustee at any time holds any additional security for any Deed of Trust Obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same at its option, either before or concurrently herewith or after a sale is made hereunder.

Section 22. **Further Acts**

Trustor will, at the cost of Trustor, and without expense to Trustee or Beneficiary, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, Uniform Commercial Code financing statements or continuation statements, transfers and assurances as Trustee and Beneficiary shall, from time to time, require, for the better assuring, conveying, assigning, transferring, and confirming the first priority lien, property and rights hereby deeded, mortgaged, given, granted, bargained, sold, alienated, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Trustor may be or may hereafter become bound to convey or assign to Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust. Notwithstanding the foregoing, the Trustor shall not be required to execute or deliver any of the foregoing documents if any such documents has the effect of increasing the liabilities and/or obligations of the Trustor under this Deed of Trust and/or effectively causing an amendment to this Deed of Trust which increases the monetary obligations of the Trustor beyond those which are originally set forth herein.

Trustor agrees to pay all costs and expenses (including, without limitation, reasonable legal fees) of Trustee and Beneficiary in connection with any amendments or modifications of this Deed of Trust, or in connection with the confirmation, perfection and/or protection of the security interests granted hereby or thereby, as well as the costs and expenses (including, without limitation, the reasonable fees and out-of-pocket expenses of legal counsel) incurred by the Trustee and Beneficiary in connection with interpreting, preserving, enforcing or exercising any rights or remedies under this Deed of Trust, all whether or not legal action is instituted, which shall be payable on demand and shall constitute part of the secured indebtedness hereunder.

Section 23. **Priority of Lien**

It is understood and agreed that the lien of this Deed of Trust is a first lien on the fee simple interest of the Property. Trustor shall not grant nor permit any additional lien against the Property, except to the extent expressly permitted by the Master Indenture or the Indentures, or the Loan Agreements or any other agreements secured hereby (including any amendments, modifications and supplements thereto, from time to time), and in any event Trustor, shall ensure that no lien, right or interest shall be issued against the Property that is senior or of equal priority to the first priority lien set forth in this Deed of Trust.

Section 24. **Readings and References**

The headings or titles of the several sections, subsections and subdivisions hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Deed of Trust. All references herein to "sections," "subsections" and other subdivisions are to the corresponding sections, subsections or subdivisions of this Deed of Trust. The words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Deed of Trust as a whole and not to any particular section, subsection or subdivision hereof. Words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 25. **Governing Law**

The internal laws of the State of California shall govern this Deed of Trust, the interpretation thereof and any right or liability arising hereunder without regard to conflict of laws provisions.

Section 26. **Attorney's Fees**

In the event of any action at law or in equity between the parties hereto to interpret or enforce any of the provisions of this Deed of Trust, the nonprevailing party or parties to such litigation shall pay to the prevailing party or parties all costs and expenses, including actual attorney's fees incurred therein by such prevailing party or parties; and if such prevailing party or parties shall recover judgment in any such action or proceeding, such costs, expenses and attorney's fees may be included in and as part of such judgment. The prevailing party shall be the party who is entitled to recover its costs of suit, whether or not the suit proceeds to final judgment. A party not entitled to recover its costs of suit shall not recover attorney's fees.

[Signature on following page]

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust under seal on the day and year first above written above.

SAINT LOUISE REGIONAL HOSPITAL,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of Saint Louise Regional Hospital

By: _____
Name: Ty Conner
Title: Vice President and Treasurer

CALIFORNIA CERTIFICATE OF ACKNOWLEDGMENT

Exhibit E Page 20 of 92

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)

County of San Mateo)

On 12/19/17 before me, Matthew E. Hopper, Notary Public,
(here insert name and title of the officer)

personally appeared Ty H. Conner,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

(Seal)

Optional Information

Although the information in this section is not required by law, it could prevent fraudulent removal and reattachment of this acknowledgment to an unauthorized document and may prove useful to persons relying on the attached document.

Description of Attached Document

The preceding Certificate of Acknowledgment is attached to a document titled/for the purpose of _____,

containing _____ pages, and dated _____.

The signer(s) capacity or authority is/are as:

- ☐ Individual(s)
- ☐ Attorney-in-Fact
- ☐ Corporate Officer(s) _____ Title(s)
- ☐ Guardian/Conservator
- ☐ Partner - Limited/General
- ☐ Trustee(s)
- ☐ Other: _____

representing: _____ Name(s) of Person(s) or Entity(ies) Signer is Representing

Additional Information

Method of Signer Identification

Proved to me on the basis of satisfactory evidence:
○ form(s) of identification ○ credible witness(es)

Notarial event is detailed in notary journal on:
Page # _____ Entry # _____

Notary contact: _____

Other

☐ Additional Signer(s) ☐ Signer(s) Thumbprint(s)

☐ _____

© Copyright 2007-2016 Notary Rotary, Inc. PO Box 41400, Des Moines, IA 50311-0507. All Rights Reserved. Item Number 101772. Please contact your Authorized Reseller to purchase copies of this form.

EXHIBIT A

Legal Description of Real Property

For APN/Parcel ID(s): 835-05-031 and 835-05-032

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF GILROY, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

Parcel One: APN: 835-05-031

All of Parcel 1, as shown upon that certain Map entitled, "Parcel Map a subdivision of Parcel 1 of the Parcel Map recorded in Book 653 of Maps, pages 10 and 11 Records of Santa Clara County", which Map was filed for record in the Office of the Recorder of the County of Santa Clara, State of California, on September 29, 1999 in Book 719 of Maps, at Pages 34 and 35.

Parcel Two: APN: 835-05-032

All of Parcel Three, as shown upon that certain Parcel Map entitled, "Parcel Map in the Incorporated Territory of the City of Gilroy, California all of Lots 14 & 18 and portions of Lots 13 & 17 Henry Miller's Subdivision of Part of Las Animas Ranch Lot #34", which Map was filed for record on January 7, 1994 in the Office of the Recorder of the County of Santa Clara in Book 653 of Maps, at Pages 10 and 11.

Parcel Three:

Easements for ingress and egress and parking as described in that certain "Reciprocal Easement Agreement", executed by South Valley Hospital, a California nonprofit public benefit corporation and Select Gilroy Investors, a California general partnership, recorded January 17, 1991 as Instrument No. 10781140, in Book L594 at Page 0899, Official Records and amended by document recorded March 19, 1991 as Instrument No. 10837347, in Book L646 at Page 338, of Official Records.

Parcel Four:

Easements for ingress and egress and parking as described in that certain "Agreement of Easement", executed by South Valley Medical Building, Ltd., a California limited partnership and Good Samaritan Health Systems, Inc., a California non-profit public benefit corporation, recorded March 31, 1995 as Instrument No. 12847868, in Book N805 at Page 1526, of Official Records.

EXHIBIT B

Description of Collateral

All right, title and interest that SAINT LOUISE REGIONAL HOSPITAL, a California nonprofit public benefit corporation, which is defined as "Trustor" in that certain Deed of Trust and Assignment of Leases and Rents with Fixture Filing and Security Agreement dated as of December 14, 2015 and amended and restated as of December 1, 2017 now has or may hereafter acquire in:

(i) All buildings, structures, improvements, fixtures, equipment and appurtenances now and hereafter owned, constructed, located, erected, installed or affixed by or on behalf of the Trustor upon or appurtenant to the Land and all replacements arid substitutions therefor (**"Facilities"**);

(ii) All appurtenances, improvements, easements, pipes, transmission lines or wires and other rights used in connection with the Land or as a means of access thereto, whether now or hereafter owned or constructed or placed upon or in the Land or Facilities (**"Appurtenances"**);

(iii) All equipment, machinery, goods and other personal property of the Trustor, whether movable or not, if the same is (a) now owned or hereafter acquired by the Trustor, (b) now or hereafter located at or used in connection with the Facilities, (c) financed with the proceeds of Obligations, or (d) obtained in order to satisfy the obligations of the Corporation or any other obligor under or with respect to the Indentures or the Loan Agreements, and all improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor, including, without limitation, all machinery, equipment, material, furnishings and appliances for generation or distribution of air, water, heat, electricity, light, fuel or refrigeration, for purposes of ventilation, sanitation or drainage, for exclusion of vermin or insects, for removal or disposal of dust, refuse or garbage; all elevators, awnings, window coverings, floor covering, laundry equipment, kitchen equipment, cabinets, furniture and furnishings; all fixed and moveable equipment now or hereafter installed or placed upon or in the Land or Facilities for use in health care, treatment, diagnosis and services or for other health care uses; the products and proceeds from any and all such property; all the estate, interest, right, title, property or other claim or demand of every nature whatsoever, in and to such property, including specifically, but without limitation, all deposits made with or other security given to utility companies by the Trustor with respect to such property and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire **("Equipment")**;

(iv) All leases, subleases, licenses, occupancy agreements and tenancies of any kind with respect to the Land, Facilities, Appurtenances and Equipment (collectively, the **"Leases"**);

(v) All rentals or other payments which may now or hereafter accrue or otherwise become payable under the Leases to or for the benefit of the Trustor together with all other income, rents, revenues, issues, profits, lease guarantees, letters of credit, reserves and royalties produced by the Land, Facilities, Appurtenances and Equipment or by all management or service contracts or other contracts affecting the Property, including but not limited to security deposits (collectively, the **"Rents"**);

(vi) All earnings, products, damages, indemnifications, insurance proceeds and any other proceeds from any and all of such Land, Facilities, Appurtenances, Equipment, Inventory (defined below), Leases and Rents including specifically, but without limitation, all deposits made with or other security given to utility companies and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire, including all advance payments of insurance premiums made by the Trustor with respect thereto (**"Proceeds"**); and

(vii) All right, title and interest of the Trustor in all the Trustor's inventory, raw materials, work in process, finished goods and goads held for sale or lease or furnished under contracts of service, and all returned and repossessed goods, and all goods covered by documents of title, including warehouse receipts, bills of lading and all other documents of every type covering all or any part of the Property, now owned or hereafter acquired, whether held by the Trustor or any third party, which is located on, appurtenant to, relating to, or used by or useful in connection with the Property (**"Inventory"**).

All of the above referenced Land, Facilities, Appurtenances, Equipment, Leases, Rents, Proceeds and Inventory as hereby conveyed to the Trustee or made subject to the security interest herein described is collectively referred to herein as the **"Property"**).

EXHIBIT L

This page is part of your document - DO NOT DISCARD

20171518978

Recorded/Filed in Official Records
Recorder's Office, Los Angeles County, California

12/29/17 AT 08:00AM

Pages: 0009

FEES:	39.00
TAXES:	0.00
OTHER:	0.00
PAID:	39.00

LEADSHEET

201712290160005

00014728725

008819973

SEQ:
10

DAR - Title Company (Hard Copy)

THIS FORM IS NOT TO BE DUPLICATED

T72

E438957

12/29/2017

20171518978

RECORDING REQUESTED BY:

CHICAGO TITLE COMPANY
COMMERCIAL DIVISION

WHEN RECORDED MAIL TO:

Mintz Levin Cohn Ferris Glovsky and Popeo PC
One Financial Center
Boston, MA 02111
Attn: Len Weiser-Varon, Esq.

Title Order No.: 82994-X23 Space Above This Line For Recorder's Use. Escrow No.: _____

APN: 6173-021-008, 007 and 006

APN 6173-021-006, 007 & 008

SECOND AMENDED AND RESTATED SUBORDINATION AGREEMENT

(St. Francis Medical Center)

NOTICE: THIS SECOND AMENDED AND RESTATED SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS AGREEMENT, made the 14th day of December, 2015, recorded as Instrument Number 20151573378 on December 15, 2015 at 8:00 a.m., amended and restated September 15, 2017, recorded as Instrument Number 20171060065 on September 18, 2017 at 8:00 a.m. and amended and restated December 28, 2017 (hereinafter, the "Amended Subordinated Agreement"), by and between

ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation, owner of the land hereinafter described and hereinafter referred to as "Owner," and

U.S. BANK NATIONAL ASSOCIATION, as master trustee under that certain master indenture of trust, dated as of December 1, 2001, between the master trustee and Daughters of Charity Health System (now known as Verity Health System of California, Inc.) and the other "obligated group members" therein (the "Master Indenture"),

present owner and holder of the deed of trust and note first hereinafter described and hereinafter referred to as "Beneficiary."

SEE EXHIBIT "A" ATTACHED

WITNESSETH

THAT WHEREAS, the Owner did execute a deed of trust, dated December 31, 2001, to Chicago Title Company as trustee, in favor of the Beneficiary, covering:

that certain real property described in Exhibit A attached hereto and made a part hereof,

82994-X23

10B

including the personal property located thereon, and any and all leases, rents, profits, or proceeds used in connection therewith or otherwise described therein to secure in part the repayment of certain tax exempt bonds issued in the original sum of $450,000,000, which deed of trust (hereinafter, the "Affected Deed of Trust") was recorded as Instrument No. 01-2516060 on December 31, 2001, in the Official Records of Los Angeles County; and

WHEREAS, Owner has executed a deed of trust that secures up to $160,000,000 of notes consisting of: Series 2015A Notes in the original issued amount of $60,000,000; Series 2015B Notes in the original issued amount of $45,000,000; Series 2015C Notes in the original issued amount of $10,000,000; and Series 2015D Notes in the original issued amount of $45,000,000 (the Series 2015A, 2015B, 2015C and 2015D Notes collectively, hereinafter the "2015 Notes") in favor of U.S. Bank National Association (hereinafter, "Lender") as trustee under those certain indentures, dated as of December 1, 2015 (the "2015 Indentures") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein (hereinafter, the "Senior Deed of Trust"), which Senior Deed of Trust was recorded as Instrument No. 20151573377 on December 15, 2015, in the Official Records of Los Angeles County; and

WHEREAS, Owner has executed an amendment and restatement of the Senior Deed of Trust in order to additionally secure Series 2017 Notes in the original issued amount of $21,000,000 (the "2017 Notes") in favor of the Lender as trustee under that certain indenture, dated as of September 1, 2017 (the "2017 Indenture") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein (hereinafter, the "First Amended and Restated Senior Deed of Trust"), which First Amended and Restated Senior Deed of Trust was recorded as Instrument No. 20171060064 on September 18, 2017, in the Official Records of Los Angeles County; and

WHEREAS, Owner has executed, or is about to execute, an amendment and restatement of the First Amended and Restated Senior Deed of Trust (the "Second Amended and Restated Senior Deed of Trust") in order to additionally secure Series 2017B Notes in the original issued amount of $21,000,000 (the "2017B Notes" and, together with the 2017 Notes and the 2015 Notes, the "Notes") in favor of the Lender as trustee under that certain indenture, dated as of December 1, 2017 (the "2017B Indenture" and, together with the 2015 Indentures and the 2017 Indenture, the "Indentures") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein, which Second Amended and Restated Deed of Trust is to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to the issuance of the 2017B Notes that the Second Amended and Restated Senior Deed of Trust unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the Affected Deed of Trust; and

WHEREAS, it is a condition to the issuance of the 2017B Notes that the Second Amended and Restated Senior Deed of Trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the Affected Deed of Trust and that Beneficiary will specifically subordinate the lien or charge of the Affected Deed of Trust to the lien or charge of the Second Amended and Restated Senior Deed of Trust in favor of

Lender subject, however, to the terms and conditions contained in that certain Second Amended and Restated Intercreditor Agreement, dated as of December 1, 2017 (the "Intercreditor Agreement") by and among U.S. Bank National Association as master trustee under the Master Indenture, as trustee under the Indentures and in its capacity as the Lender hereunder, and Verity Health System of California, Inc.; and

WHEREAS, Beneficiary has received the opinion of Squire Patton Boggs (US) LLP to the effect that the execution of this Agreement is authorized under the terms of the Master Indenture and based on such opinion is executing this Agreement so that the Second Amended and Restated Senior Deed of Trust securing the same shall, when recorded, constitute a lien or charge upon said land and personal property which is prior and superior to the lien or charge of the Affected Deed of Trust.

NOW, THEREFORE, in consideration of the above, and in connection with the issuance of the Notes, Beneficiary declares, agrees and acknowledges that it hereby subordinates, subject to the provisions of the Intercreditor Agreement, the lien or charge of the Affected Deed of Trust, including any and all collateral subject thereto, in favor of the lien or charge of the Second Amended and Restated Senior Deed of Trust in favor of Lender upon said land and personal property and other collateral,

This Amended Subordination Agreement may be executed in one or more separate counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute a single agreement.

NOTICE: SUBJECT TO THE TERMS AND CONDITIONS OF THE INTERCREDITOR AGREEMENT, THIS AMENDED SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND,

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Beneficiary and Owner have executed this Amended Subordination Agreement on the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Julia Hommel, Vice President

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of St. Francis Medical Center

Executed in Counterpart

By: _____
Name: Ty Conner AWA TY H. CONNER
Title: Vice President and Treasurer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

IN WITNESS WHEREOF, Beneficiary and Owner have executed this Amended Subordination Agreement on the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION

By: Executed in Counterpart
Julia Hommel, Vice President

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of St. Francis Medical Center

By: _____
Name: Ty Conner AKA TY H. CONNER
Title: Vice President and Treasurer

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Mateo)

On 12/20/17, before me, Matthew E. Hopper a Notary Public, personally appeared Ty H. Conner, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/~~may~~ executed the same in his/her/~~their~~ authorized capacity(~~ies~~), and that by his/her/~~their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct,

WITNESS my hand and official seal.

Signature _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

EXHIBIT A

Legal Description of Real Property

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LYNWOOD, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCEL 1 OF PARCEL MAP NO. 23648, IN THE CITY OF LYNWOOD, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 259 PAGES 79 AND 80 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL A1:

EASEMENTS FOR ACCESS, PARKING AND UTILITIES OVER PARCELS 2 AND 3 OF PARCEL MAP NO. 23648, AS CREATED BY INSTRUMENT EXECUTED BY ST. FRANCIS MEDICAL CENTER, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION, AND PACIFIC MEDICAL BUILDINGS, L.P., A CALIFORNIA LIMITED PARTNERSHIP, DATED AS OF JANUARY 1, 1993, RECORDED AUGUST 20, 1993 AS INSTRUMENT NO. 93¬1622632, OFFICIAL RECORDS, LOS ANGELES COUNTY, CALIFORNIA.

PARCEL B:

PARCELS 2 AND 3 OF PARCEL MAP NO. 23648, IN THE CITY OF LYNWOOD, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 259 PAGES 79 AND 80 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL B1:

EASEMENTS FOR ACCESS, PARKING AND UTILITIES OVER PARCEL 1 OF PARCEL MAP NO. 23648, AS CREATED BY INSTRUMENT EXECUTED BY ST. FRANCIS MEDICAL CENTER, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION, AND PACIFIC MEDICAL BUILDINGS, L.P., A CALIFORNIA LIMITED PARTNERSHIP, DATED AS OF JANUARY 1, 1993, RECORDED AUGUST 20, 1993 AS INSTRUMENT NO. 93¬1622632, OFFICIAL RECORDS, LOS ANGELES COUNTY, CALIFORNIA.

APN: 6173-021-008, 007 and 006

EXHIBIT M

This page is part of your document - DO NOT DISCARD

20171518980

Recorded/Filed in Official Records
Recorder's Office, Los Angeles County,
California

12/29/17 AT 08:00AM

Pages:
0009

FEES:	39.00
TAXES:	0.00
OTHER:	0.00
PAID:	39.00

LEADSHEET

201712290160005

00014728727

008819973

SEQ:
12

DAR - Title Company (Hard Copy)

THIS FORM IS NOT TO BE DUPLICATED

T72

E439957

2

12/29/2017

20171518980

RECORDING REQUESTED BY:

CHICAGO TITLE COMPANY
COMMERCIAL DIVISION

WHEN RECORDED MAIL TO:

Mintz Levin Cohn Ferris Glovsky and Popeo PC
One Financial Center
Boston, MA 02111
Attn: Len Weiser-Varon, Esq.

Title Order No.: 82996-x23 Space Above This Line For Recorder's Use. Escrow No.: _____

APN: 6320-006-069

APN 6320-006-069

SECOND AMENDED AND RESTATED SUBORDINATION AGREEMENT

(St. Francis Medical Center)

NOTICE: THIS SECOND AMENDED AND RESTATED SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS AGREEMENT, made the 14th day of December, 2015, recorded as Instrument Number 20151573371 on December 15, 2015 at 8:00 a.m., and amended and restated September 15, 2017, recorded as Instrument Number 20171060069 and amended and restated December 28, 2017 (hereinafter, the "Amended Subordination Agreement"), by and between

ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation, owner of the land hereinafter described and hereinafter referred to as "Owner," and

U.S. BANK NATIONAL ASSOCIATION, as master trustee under that certain master indenture of trust dated as of December 1, 2001, between the master trustee and Daughters of Charity Health System (now known as Verity Health System of California, Inc.) and the other "obligated group members" therein (the "Master Indenture"),

present owner and holder of the deed of trust and note first hereinafter described and hereinafter referred to as "Beneficiary."

WITNESSETH

THAT WHEREAS, the Owner did execute a deed of trust, dated December 31, 2001, to Chicago Title Company as trustee, in favor of the Beneficiary, covering:

that certain real property described in Exhibit A attached hereto and made a part hereof,

82996-X23

12

including the personal property located thereon, and any and all leases, rents, profits, or proceeds used in connection therewith or otherwise described therein to secure in part the repayment of certain tax exempt bonds issued in the original sum of $450,000,000, which deed of trust (hereinafter, the "Affected Deed of Trust") was recorded as Instrument No. 01-2516060 on December 31, 2001, in the Official Records of Los Angeles County; and

WHEREAS, Owner has executed a deed of trust that secures up to $160,000,000 of notes consisting of: Series 2015A Notes in the original issued amount of $60,000,000; Series 2015B Notes in the original issued amount of $45,000,000; Series 2015C Notes in the original issued amount of $10,000,000; and Series 2015D Notes in the original issued amount of $45,000,000 (the Series 2015A, 2015B, 2015C and 2015D Notes collectively, hereinafter the "2015 Notes") in favor of U.S. Bank National Association (hereinafter, "Lender") as trustee under those certain indentures, dated as of December 1, 2015 (the "2015 Indentures") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein (hereinafter, the "Senior Deed of Trust"), which Senior Deed of Trust was recorded as Instrument No. 20151573370 on December 15, 2015, in the Official Records of Los Angeles County; and

WHEREAS, Owner has executed an amendment and restatement of the Senior Deed of Trust in order to additionally secure Series 2017 Notes in the original issued amount of $21,000,000 (the "2017 Notes") in favor of the Lender as trustee under that certain indenture, dated as of September 1, 2017 (the "2017 Indenture") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein (hereinafter, the "First Amended and Restated Senior Deed of Trust"), which First Amended and Restated Senior Deed of Trust was recorded as Instrument No. 20171060068 on September 18, 2017; and

WHEREAS, Owner has executed, or is about to execute, an amendment and restatement of the First Amended and Restated Senior Deed of Trust (the "Second Amended and Restated Senior Deed of Trust") in order to additionally secure Series 2017B Notes in the original issued amount of $21,000,000 (the "2017B Notes" and, together with the 2017 Notes and the 2015 Notes, the "Notes") in favor of the Lender as trustee under that certain indenture, dated as of December 1, 2017 (the "2017B Indenture" and, together with the 2015 Indentures and the 2017 Indenture, the "Indentures") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein, which Second Amended and Restated Senior Deed of Trust is to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to the issuance of the 2017B Notes that the Second Amended and Restated Senior Deed of Trust unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the Affected Deed of Trust; and

WHEREAS, it is a condition to the issuance of the 2017B Notes that the Second Amended and Restated Senior Deed of Trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the Affected Deed of Trust and that Beneficiary will specifically subordinate the lien or charge of the Affected Deed of Trust to the lien or charge of the Second Amended and Restated Senior Deed of Trust in favor of

4

Lender subject, however, to the terms and conditions contained in that certain Second Amended and Restated Intercreditor Agreement, dated as of December 1, 2017 (the "Intercreditor Agreement") by and among U.S. Bank National Association as master trustee under the Master Indenture, as trustee under the Indentures and in its capacity as the Lender hereunder, and Verity Health System of California, Inc.; and

WHEREAS, Beneficiary has received the opinion of Squire Patton Boggs (US) LLP to the effect that the execution of this Agreement is authorized under the terms of the Master Indenture and based on such opinion is executing this Agreement so that the Second Amended and Restated Senior Deed of Trust securing the same shall, when recorded, constitute a lien or charge upon said land and personal property which is prior and superior to the lien or charge of the Affected Deed of Trust.

NOW, THEREFORE, in consideration of the above, and in connection with the issuance of the Notes, Beneficiary declares, agrees and acknowledges that it hereby subordinates, subject to the provisions of the Intercreditor Agreement, the lien or charge of the Affected Deed of Trust, including any and all collateral subject thereto, in favor of the lien or charge of the Second Amended and Restated Senior Deed of Trust in favor of Lender upon said land and personal property and other collateral,

This Amended Subordination Agreement may be executed in one or more separate counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute a single agreement.

NOTICE: SUBJECT TO THE TERMS AND CONDITIONS OF THE INTERCREDITOR AGREEMENT, THIS AMENDED SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND,

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Beneficiary and Owner have executed this Amended Subordination Agreement on the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Julia Hommel, Vice President

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, on behalf of St. Francis Medical Center

Executed in Counterpart

By: _____
Name: Ty Conner AKA TY H. CONNER
Title: Vice President and Treasurer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

IN WITNESS WHEREOF, Beneficiary and Owner have executed this Amended Subordination Agreement on the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION

By: Executed in Counterpart
Julia Hommel, Vice President

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of St. Francis Medical Center

By: _____
Name: Ty Conner AKA TY H. CONNER
Title: Vice President and Treasurer

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Mateo)

On 12/20/17, before me, Matthew E. Hopper a Notary Public, personally appeared Ty M. Connor, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/~~may~~ executed the same in his/her/~~their~~ authorized capacity(~~ies~~), and that by his/her/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct,

WITNESS my hand and official seal.

Signature _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

9

EXHIBIT A

Legal Description of Real Property

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF HUNTINGTON PARK, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 1, 2 AND 3 OF TRACT NO. 7793, IN THE CITY OF HUNTINGTON PARK, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 128, PAGES 75 AND 76 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, NATURAL GAS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, AND ALL OTHER MINERALS AND MINERAL RIGHTS, WHETHER OR NOT SIMILAR TO THOSE HEREIN MENTIONED, BELOW A DEPTH OF 500 FEET; PROVIDED THAT GRANTOR SHALL NOT HAVE ANY RIGHT OF SURFACE ENTRY TO DRILL, MINE, EXPLORE OR OTHERWISE OPERATE UPON, IN, THROUGH OR UNDER THE LAND HEREIN CONVEYED, IN THE EXERCISE OF THE HEREIN EXCEPTED AND RESERVED RIGHTS, AS RESERVED BY NICHOLAS J. BERTRAND, IN THE DEED RECORDED JULY 18, 1984 AS INSTRUMENT NO. 84-855476 OF OFFICIAL RECORDS.

APN: 6320-006-069

EXHIBIT N

This page is part of your document - DO NOT DISCARD

20171518984

Recorded/Filed in Official Records
Recorder's Office, Los Angeles County, California

12/29/17 AT 08:00AM

Pages: 0008

FEES:	36.00
TAXES:	0.00
OTHER:	0.00
PAID:	36.00

LEADSHEET

201712290160005

00014728731

008819973

SEQ:
16

DAR - Title Company (Hard Copy)

THIS FORM IS NOT TO BE DUPLICATED

T72

E638957

2

12/29/2017
20171518984

RECORDING REQUESTED BY:

CHICAGO TITLE COMPANY
COMMERCIAL DIVISION

WHEN RECORDED MAIL TO:

Mintz Levin Cohn Ferris Glovsky and Popeo PC
One Financial Center
Boston, MA 02111
Attn: Len Weiser-Varon, Esq.

Title Order No.: 82995-X23 Space Above This Line For Recorder's Use. Escrow No.: _____

APN: 6313-013-026, 028

APN 6313-013-026 & 028

SECOND AMENDED AND RESTATED SUBORDINATION AGREEMENT

(St. Francis Medical Center)

NOTICE: THIS SECOND AMENDED AND RESTATED SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS AGREEMENT, made the 14th day of December, 2015, recorded as Instrument Number 20151573375 on December 15, 2015 at 8:00 a.m., amended and restated September 15, 2017, recorded as Instrument Number 20171060067 on September 18, 2017 and amended and restated December 28, 2017 (hereinafter, the "Amended Subordination Agreement"), by and between

ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation, owner of the land hereinafter described and hereinafter referred to as "Owner," and

U.S. BANK NATIONAL ASSOCIATION, as master trustee under that certain master indenture of trust dated as of December 1, 2001, between the master trustee and Daughters of Charity Health System (now known as Verity Health System of California, Inc.) and the other "obligated group members" therein (the "Master Indenture"),

present owner and holder of the deed of trust and note first hereinafter described and hereinafter referred to as "Beneficiary."

WITNESSETH

THAT WHEREAS, the Owner did execute a deed of trust, dated December 31, 2001, to Chicago Title Company as trustee, in favor of the Beneficiary, covering:

that certain real property described in Exhibit A attached hereto and made a part hereof,

82995-X23

164

including the personal property located thereon, and any and all leases, rents, profits, or proceeds used in connection therewith or otherwise described therein to secure in part the repayment of certain tax exempt bonds issued in the original sum of $450,000,000, which deed of trust (hereinafter, the "Affected Deed of Trust") was recorded as Instrument No. 01-2516060 on December 31, 2001, in the Official Records of Los Angeles County; and

WHEREAS, Owner has executed a deed of trust that secures up to $160,000,000 of notes consisting of: Series 2015A Notes in the original issued amount of $60,000,000; Series 2015B Notes in the original issued amount of $45,000,000; Series 2015C Notes in the original issued amount of $10,000,000; and Series 2015D Notes in the original issued amount of $45,000,000 (the Series 2015A, 2015B, 2015C and 2015D Notes collectively, hereinafter the "2015 Notes") in favor of U.S. Bank National Association (hereinafter, "Lender") as trustee under those certain indentures dated as of December 1, 2015 (the "2015 Indentures") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein (hereinafter, the "Senior Deed of Trust"), which Senior Deed of Trust was recorded as Instrument No. 20151573374 on December 15, 2016, in the Official Records of Los Angeles County; and

WHEREAS, Owner has executed an amendment and restatement of the Senior Deed of Trust in order to additionally secure Series 2017 Notes in the original issued amount of $21,000,000 (the "2017 Notes") in favor of the Lender as trustee under that certain indenture, dated as of September 1, 2017 (the "2017 Indenture") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein (hereinafter, the "First Amended and Restated Senior Deed of Trust"), which First Amended and Restated Senior Deed of Trust was recorded as Instrument No. 20171060066 on September 18, 2017 in the Official Records of Los Angeles County; and

WHEREAS, Owner has executed, or is about to execute, an amendment and restatement of the First Amended and Restated Senior Deed of Trust (the "Second Amended and Restated Senior Deed of Trust") in order to additionally secure Series 2017B Notes in the original issued amount of $21,000,000 (the "2017B Notes" and, together with the 2017 Notes and the 2015 Notes, the "Notes") in favor of the Lender as trustee under that certain indenture, dated as of December 1, 2017 (the "2017B Indenture" and, together with the 2015 Indentures and the 2017 Indenture, the "Indentures") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein, which Second Amended and Restated Senior Deed of Trust is to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to the issuance of the 2017B Notes that the Second Amended and Restated Senior Deed of Trust unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the Affected Deed of Trust; and

WHEREAS, it is a condition to the issuance of the 2017B Notes that the Second Amended and Restated Senior Deed of Trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the Affected Deed of Trust and that Beneficiary will specifically subordinate the lien or charge of the Affected Deed of Trust to the lien or charge of the Second Amended and Restated Senior Deed of Trust in favor of

Lender subject, however, to the terms and conditions contained in that certain Second Amended and Restated Intercreditor Agreement, dated as of December 1, 2017 (the "Intercreditor Agreement") by and among U.S. Bank National Association as master trustee under the Master Indenture, as trustee under the Indentures and in its capacity as the Lender hereunder, and Verity Health System of California, Inc.; and

WHEREAS, Beneficiary has received the opinion of Squire Patton Boggs (US) LLP to the effect that the execution of this Agreement is authorized under the terms of the Master Indenture and based on such opinion is executing this Agreement so that the Second Amended and Restated Senior Deed of Trust securing the same shall, when recorded, constitute a lien or charge upon said land and personal property which is prior and superior to the lien or charge of the Affected Deed of Trust.

NOW, THEREFORE, in consideration of the above, and in connection with the issuance of the Notes, Beneficiary declares, agrees and acknowledges that it hereby subordinates, subject to the provisions of the Intercreditor Agreement, the lien or charge of the Affected Deed of Trust, including any and all collateral subject thereto, in favor of the lien or charge of the Second Amended and Restated Senior Deed of Trust in favor of Lender upon said land and personal property and other collateral,

This Amended Subordination Agreement may be executed in one or more separate counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute a single agreement.

NOTICE: SUBJECT TO THE TERMS AND CONDITIONS OF THE INTERCREDITOR AGREEMENT, THIS AMENDED SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND,

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Beneficiary and Owner have executed this Amended Subordination Agreement on the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Julia Hommel, Vice President

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of St. Francis Medical Center

Executed in Counterpart

By: _____
Name: Ty Conner AKA TY H. CONNER
Title: Vice President and Treasurer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

IN WITNESS WHEREOF, Beneficiary and Owner have executed this Amended Subordination Agreement on the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION

Executed in Counterpart

By:_____
Julia Hommel, Vice President

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of St. Francis Medical Center

By: _____
Name: Ty Conner AKA TY H. CONNER
Title: Vice President and Treasurer

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Mateo)

On 12/20/17, before me, Matthew E. Hopper a Notary Public, personally appeared Ty H. Conner, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/~~may~~ executed the same in his/her/~~their~~ authorized capacity(~~ies~~), and that by his/her/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct,

WITNESS my hand and official seal.

Signature _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

EXHIBIT O

RECORDING REQUESTED BY:
Chicago Title Company - C/I
Order No.: FWPS-TO17001505

When Recorded Mail Document To:

Mintz Levin Cohn Ferris Glovsky and Popeo PC
One Finanical Center
Boston, MA 02111
Attn: Len Weiser-Varon, Esq.

THIS DOCUMENT HAS BEEN ELECTRONICALLY RECORDED. SEE THE ATTACHED COVER PAGE FOR RECORDING INFORMATION

SECOND AMENDED AND RESTATED SUBORDINATION AGREEMENT

THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
(Additional recording fee applies)

RECORDING REQUESTED BY:
Chicago Title Co-GI

WHEN RECORDED MAIL TO:

Mintz Levin Cohn Ferris Glovsky and Popeo PC
One Financial Center
Boston, MA 02111
Attn: Len Weiser-Varon, Esq.

Title Order No.: T0170015OS Space Above This Line For Recorder's Use. Escrow No.: _____

APN: 835-05-031, 032

SECOND AMENDED AND RESTATED SUBORDINATION AGREEMENT

(Saint Louise Regional Hospital)

NOTICE: THIS SECOND AMENDED AND RESTATED SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS AGREEMENT, made the 14th day of December, 2015, recorded as Instrument Number 23173257 on December 16, 2015 at 8:00 a.m., amended and restated September 15, 2017, recorded as Instrument Number 23755467 on September 18, 2017 and amended and restated December 28, 2017 (hereinafter, the "Amended Subordination Agreement"), by and between

SAINT LOUISE REGIONAL HOSPITAL, a California nonprofit public benefit corporation, owner of the land hereinafter described and hereinafter referred to as "Owner," and

U.S. BANK NATIONAL ASSOCIATION, as master trustee under that certain master indenture of trust, dated as of December 1, 2001, between the master trustee and Daughters of Charity Health System (now known as Verity Health System of California, Inc.) and the other "obligated group members" therein (the "Master Indenture"),

present owner and holder of the deed of trust and note first hereinafter described and hereinafter referred to as "Beneficiary."

WITNESSETH

THAT WHEREAS, the Owner did execute a deed of trust, dated December 31, 2001, to Chicago Title Company as trustee, in favor of the Beneficiary, covering:

that certain real property described in Exhibit A attached hereto and made a part hereof,

including the personal property located thereon, and any and all leases, rents, profits, or proceeds used in connection therewith or otherwise described therein to secure in part the repayment of certain tax exempt bonds issued in the original sum of $450,000,000, which deed of trust (hereinafter, the "Affected Deed of Trust") was recorded as Instrument No. 16035685 on December 31, 2001, in the Official Records of Santa Clara County; and

WHEREAS, Owner has executed a deed of trust that secures up to $160,000,000 of notes consisting of: Series 2015A Notes in the original issued amount of $60,000,000; Series 2015B Notes in the original issued amount of $45,000,000; Series 2015C Notes in the original issued amount of $10,000,000; and Series 2015D Notes in the original issued amount of $45,000,000 (the Series 2015A, 2015B, 2015C and 2015D Notes collectively, hereinafter the "2015 Notes") in favor of U.S. Bank National Association (hereinafter, "Lender") as trustee under those certain indentures dated as of December 1, 2015 (the "2015 Indentures") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein (hereinafter, the "Senior Deed of Trust"), which Senior Deed of Trust was recorded as Instrument No. 23173256 on December 16, 2015, in the Official Records of Santa Clara County; and

WHEREAS, Owner has executed an amendment and restatement of the Senior Deed of Trust in order to additionally secure Series 2017 Notes in the original issued amount of $21,000,000 (the "2017 Notes") in favor of the Lender as trustee under that certain indenture, dated as of September 1, 2017 (the "2017 Indenture") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein (hereinafter, the "First Amended and Restated Senior Deed of Trust"), which First Amended and Restated Senior Deed of Trust was recorded as Instrument No. 23755466 on September 18, 2017, in the Official Records of Santa Clara County; and

WHEREAS, Owner has executed, or is about to execute, an amendment and restatement of the First Amended and Restated Senior Deed of Trust (the "Second Amended and Restated Senior Deed of Trust") in order to additionally secure Series 2017B Notes in the original issued amount of $21,000,000 (the "2017B Notes" and, together with the 2017 Notes and the 2015 Notes, the "Notes") in favor of the Lender as trustee under that certain indenture, dated as of December 1, 2017 (the "2017B Indenture" and, together with the 2015 Indentures and the 2017 Indenture, the "Indentures") as assignee of the California Public Finance Authority payable with interest and upon the terms and conditions described therein, which Second Amended and Restated Senior Deed of Trust is to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to the issuance of the 2017B Notes that the Second Amended and Restated Senior Deed of Trust unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the Affected Deed of Trust; and

WHEREAS, it is a condition to the issuance of the 2017B Notes that the Second Amended and Restated Senior Deed of Trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the Affected Deed of Trust and that Beneficiary will specifically subordinate the lien or charge of the Affected Deed of Trust to the lien or charge of the Second Amended and Restated Senior Deed of Trust in favor of

Lender subject, however, to the terms and conditions contained in that certain Second Amended and Restated Intercreditor Agreement, dated as of December 1, 2017 (the "Intercreditor Agreement") by and among U.S. Bank National Association as master trustee under the Master Indenture, as trustee under the Indentures and in its capacity as the Lender hereunder, and Verity Health System of California, Inc.; and

WHEREAS, Beneficiary has received the opinion of Squire Patton Boggs (US) LLP to the effect that the execution of this Agreement is authorized under the terms of the Master Indenture and based on such opinion is executing this Agreement so that the Second Amended and Restated Senior Deed of Trust securing the same shall, when recorded, constitute a lien or charge upon said land and personal property which is prior and superior to the lien or charge of the Affected Deed of Trust.

NOW, THEREFORE, in consideration of the above, and in connection with the issuance of the Notes, Beneficiary declares, agrees and acknowledges that it hereby subordinates, subject to the provisions of the Intercreditor Agreement, the lien or charge of the Affected Deed of Trust, including any and all collateral subject thereto, in favor of the lien or charge of the Second Amended and Restated Senior Deed of Trust in favor of Lender upon said land and personal property and other collateral,

This Amended Subordination Agreement may be executed in one or more separate counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute a single agreement.

NOTICE: SUBJECT TO THE TERMS AND CONDITIONS OF THE INTERCREDITOR AGREEMENT, THIS AMENDED SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND,

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Beneficiary and Owner have executed this Amended Subordination Agreement on the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Julia Hommel, Vice President

SAINT LOUISE REGIONAL HOSPITAL,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of Saint Louise Medical Center

By: EXECUTED IN COUNTERPART
Name: Ty Conner
Title: Vice President and Treasurer

IN WITNESS WHEREOF, Beneficiary and Owner have executed this Amended Subordination Agreement on the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION

By: EXECUTED IN COUNTERPART
Julia Hommel, Vice President

SAINT LOUISE REGIONAL HOSPITAL,
a California nonprofit public benefit corporation

By: Verity Health System of California, Inc., a California nonprofit public benefit corporation, as sole member of Saint Louise Medical Center

By: _____
Name: Ty Conner
Title: Vice President and Treasurer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Mateo)

On 12/20/17, before me, Matthew E. Hopper a Notary Public, personally appeared Ty H. Comer, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/~~may~~ executed the same in his/her/their authorized capacity(~~ies~~), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct,

WITNESS my hand and official seal.

Signature _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

EXHIBIT A

Legal Description of Real Property

For APN/Parcel ID(s): 835-05-031 and 835-05-032

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF GILROY, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

Parcel One: APN: 835-05-031

All of Parcel 1, as shown upon that certain Map entitled, "Parcel Map a subdivision of Parcel 1 of the Parcel Map recorded in Book 653 of Maps, pages 10 and 11 Records of Santa Clara County", which Map was filed for record in the Office of the Recorder of the County of Santa Clara, State of California, on September 29, 1999 in Book 719 of Maps, at Pages 34 and 35.

Parcel Two: APN: 835-05-032

All of Parcel Three, as shown upon that certain Parcel Map entitled, "Parcel Map in the Incorporated Territory of the City of Gilroy, California all of Lots 14 & 18 and portions of Lots 13 & 17 Henry Miller's Subdivision of Part of Las Animas Ranch Lot #34", which Map was filed for record on January 7, 1994 in the Office of the Recorder of the County of Santa Clara in Book 653 of Maps, at Pages 10 and 11.

Parcel Three:

Easements for ingress and egress and parking as described in that certain "Reciprocal Easement Agreement", executed by South Valley Hospital, a California nonprofit public benefit corporation and Select Gilroy Investors, a California general partnership, recorded January 17, 1991 as Instrument No. 10781140, in Book L594 at Page 0899, Official Records and amended by document recorded March 19, 1991 as Instrument No. 10837347, in Book L646 at Page 338, of Official Records.

Parcel Four:

Easements for ingress and egress and parking as described in that certain "Agreement of Easement", executed by South Valley Medical Building, Ltd., a California limited partnership and Good Samaritan Health Systems, Inc., a California non-profit public benefit corporation, recorded March 31, 1995 as Instrument No. 12847868, in Book N805 at Page 1526, of Official Records.

Appendix II

A

2017 WL 1511888
DESIGNATED FOR ONLINE PUBLICATION
United States Bankruptcy Court,
D. Kansas.

IN RE: LISTER–PETTER AMERICAS, INCORPORATED, Debtor.
In re: Lister–Petter U.S. Holdings, Inc., Debtor.

Case No. 15–10502, Case No. 15–10504
|
Signed April 25, 2017
|
Filed 04/26/2017

Attorneys and Law Firms

W. Thomas Gilman, Edward J. Nazar, Hinkle Law Firm, L.L.C., Wichita, KS, for Debtor.

J. Michael Morris, Klenda Austerman LLC, Wichita, KS, pro se.

Richard A. Wieland, Office of U.S. Trustee, Wichita, KS, for U.S. Trustee.

ORDER ON GORDIAN TRADING LTD's MOTION FOR STAY RELIEF

Robert E. Nugent, United States Bankruptcy Judge

***1** Cause, including the lack of adequate protection of a creditor's interest in estate property, is a ground for lifting § 362(a)'s automatic stay.[1] Collateral is inadequately protected if its value is permitted to diminish in the hands of the estate. But, in order to grant stay relief, the Court must conclude, first that the creditor has a claim to the collateral, second, that the creditor's interest has not been protected, and third, that the estate lacks a colorable defense to the validity or enforceability of the creditor's claim and that the balance of harm weighs in favor of the estate retaining the affected property while its defenses are litigated.

During his administration of this case, trustee J. Michael Morris sold all of the debtor's assets under this Court's order issued pursuant to § 363(f) and all liens then attaching to those assets have now attached to the funds in the trustee's hands.[2] That fund has diminished over time because the Court has approved certain payments of administrative expenses and because the trustee was required by U.S. Trustee procedures to deposit the fund in a bank that not only pays no interest on it, but charges a monthly percentage service fee to hold the money. Absent other facts in this case, that diminution might suffice to lift the stay here. But there are other, more troubling issues that arise out of the alleged conduct of one of the debtor's former principals, Trevor Modell, and his affiliated entities.

Mr. Modell, a United Kingdom resident, is a director of and runs the aptly-named Gordian Trading Ltd., the post-petition assignee of a secured claim in this case.[3] Mr. Modell has also been, and, at a relevant time, was simultaneously a director and indirect owner of the debtor, Lister Petter Americas, Inc. (LPAI) and a director and manager of Dorset Road 1, Ltd., LPAI's principal account debtor. The trustee alleges that, before this case was converted to chapter 7, Mr. Modell caused LPAI to ship over $1.5 million worth of goods to Dorset Road 1 in the United Kingdom, that Dorset Road 1 refused to pay for those goods, and that Mr. Modell placed Dorset Road 1 in a UK insolvency or liquidation proceeding. During this same time period, and while LPAI was in bankruptcy here, Modell caused Gordian to acquire the principal secured creditor's loans and security interests attaching to LPAI's assets, effectively placing him, according to the trustee, on all sides of the case. So the trustee has filed an adversary proceeding seeking *inter alia* to recover LPAI's property transferred to Dorset Road and Modell and to equitably subordinate Gordian's claim under 11 U.S.C. § 510(c).[4] He has also objected to Gordian's claim.[5]

***2** At the close of the evidentiary hearing on this motion, the Court directed the trustee to invest the sale proceeds in federally-issued securities to stop the payment of service fees.[6] Investing these funds at interest adequately protects them for now. The Court's review and understanding of the web of interests and transactions engaged in by Gordian and Dorset (through Modell) suggests, at a minimum, a plausible case for self-dealing on the part of Modell and others amounting to conduct that would support the equitable subordination of Gordian's claims. And, as discussed below, the activities surrounding Gordian's post-petition acquisition of the debt cast enough doubt on the amount of that debt that Gordian

may be on strict proof of the validity of its claim in this case. In these circumstances, releasing these proceeds to Gordian, another United Kingdom entity, would subject the estate to greater harm than Gordian will suffer if the stay remains in place with certain conditions, including that the funds be immediately invested at interest, not at a cost. Gordian's motion for relief from the automatic stay is denied. [7]

I. Facts

A. Debtors' cases and background of debtors [8]

Lister–Petter Americas, Inc. (LPAI) filed this case under chapter 11 on March 17, 2015. Trevor Modell provided electronic signatures on both the petition and subsequently filed schedules and statements of financial affairs. [9] On the same day, LPAI's parent company, Lister–Petter U.S. Holdings, Inc. (LPUSH), also filed a chapter 11 case. The Court ordered joint administration of the cases. [10] Both debtors moved for first day orders, including the use of LPAI's principal secured creditor's cash collateral and for an order approving post-petition lending. The principal secured creditor, Embracing Solutions Limited (ESL), filed a detailed response, but ultimately agreed to some limited cash collateral use. [11] The post-petition lender, R.A. Lister Overseas Investment, Inc. (RALOI) agreed to advance the debtor an additional $200,000 as operating capital. [12] RALOI owned LPUSH and, as such, was LPAI's indirect owner. In its cash collateral motion, debtor represented that it owed "not less than" $304,000 "after application of the balance of the value of securities held in account number ending * * *017 held with UBS (Monaco) SA in the name of Bakersfield Limited." [13] The debtor filed other first day motions as well, and the Court convened a preliminary hearing on March 20, 2015. At that time, the debtor received interim relief and a final hearing was scheduled for April 9, 2015. The interim order provided for a cash collateral carve-out of $35,000 for all estate and creditor's committee professionals during the interim period before a final order could be entered. [14] The interim order also recognized that ESL's claim was secured by guaranties from several related Lister–Petter entities including Lister–Petter Investment Holdings, Ltd. (LPIH), Lister–Petter FZE (FZE), RALOI, Lister–Petter Green Technologies Limited (LP Green), and Robert D'Aubigny. [15] The relationships among these entities will be discussed below. The interim order also set an objection deadline of April 7, 2015. On April 1, the debtor filed its schedules and statements of affairs, all electronically signed by Mr. Modell. [16] The Court entered an order on April 8, 2015 fixing the claims bar date as July 9, 2015. [17]

***3** On April 7, ESL filed a combined response to the various interim orders, indicating that it was negotiating with the debtor concerning extending and modifying the cash collateral order. [18] At the April 9 hearing, the parties informed the Court they would be providing an agreed second interim cash collateral order. [19] On April 13, the U.S. Trustee announced the appointment of an Unsecured Creditors Committee (the Committee). The Committee applied to employ counsel and it was preliminarily approved on April 20. On May 6, the Committee objected to the cash collateral motion, asserting that granting ESL a sweeping senior lien on all of the debtor's assets effectively eviscerated any investigation by the Committee of ESL's liens and conduct, noting that "ESL is a likely target of litigation in these cases, at the least to determine the extent and amount of its claim, and whether its claim should be equitably subordinated." [20] The Committee followed up with a motion for a Rule 2004 examination of ESL and, on May 11, ESL's counsel moved to withdraw, indicating that "[t]he reason for the withdrawal is that ESL has recently sold its loan position to Gordian Trading Limited ("Gordian") and no longer has or asserts any interest in the Debtors or their assets and is no longer a creditor of the bankruptcy estates." [21]

On May 12, 2015, the Court convened a § 105(d) status conference and a final hearing on cash collateral and other "first day" matters. At that hearing, the Court extended the interim cash collateral order again, setting a further final hearing on May 28, 2015, partly to allow counsel for the assignee, Gordian, to get up to speed in the case. That ruling was memorialized in an interim order entered on May 21. [22] At the May 28 hearing, all counsel announced that an agreed final order on cash collateral extending its use for 60 days would be submitted, along with a new cash collateral budget and a provision that the Committee would be granted 60 days after Gordian produced all of the loan documents to challenge the claim. [23] No such order was ever filed.

Instead, on June 10, the Committee moved for the appointment of a chapter 11 trustee, alleging that Trevor Modell had now positioned himself on every side of the case and had failed to instruct the debtor or its representatives to act in accordance with their fiduciary duties to the estate.[24] The next day, the U.S. Trustee moved to convert the case to chapter 7 liquidation or dismiss.[25] The debtor responded, stating it intended to promptly liquidate its assets and noting that Philip Briggs, its manager, was being paid by Dorset Road and/or Gordian, not the debtor.[26] The Court set the motions to an evidentiary hearing on June 16 and the debtor filed a separate motion to convert on June 15. Gordian filed a response assenting to the liquidation. After an evidentiary hearing on June 16, the court directed that a chapter 11 trustee be appointed and denied the motions to convert.[27] J. Michael Morris was appointed chapter 11 trustee on June 26, 2015. Mr. Morris promptly evaluated the likelihood of reorganization and, finding that wanting, set about liquidating the debtor's assets in an effort to stop rent, utility, and other operating expenses.

Pursuant to § 363(f) notices, the trustee sold the debtors' assets free and clear of liens and such liens as Gordian asserts were transferred to the proceeds in the trustee's hands. After seeking allowance of various administrative expenses related to the sales and winding up of operations, the trustee moved to convert the case to chapter 7 on November 5, 2015 and an order converting was entered on December 14. Upon being reappointed a chapter 7 trustee, Mr. Morris sought to retain the Committee's counsel as special counsel to the estate for the purpose of investigating and pursuing claims against Gordian and other parties in connection with their activities before and during the case; that application to employ was granted May 19, 2016.[28] Gordian filed this motion for stay relief for cause on August 19, 2016.[29] After allowing the parties a discovery period, this Court conducted an evidentiary hearing on February 28 and March 1, 2017 at which Messrs. Modell, Morris, and Nazar, formerly debtors' counsel, testified.

B. Lister–Petter, Gordian Trading, D'Aubigny, and Modell

***4** Robert D'Aubigny and Trevor Modell sit at the top of a pyramid of similarly-named inter-related entities (several based in offshore debtors' havens), occupying positions on all sides of this debtor. Their web of relationships understandably excites the interest of the other creditors and their representative, the trustee. The trustee has suggested that Modell has taken advantage of his positions with the debtor and its now principal secured creditor Gordian to strip the debtor's assets for the benefit of his offshore affiliates in the United Kingdom. A chronology of the matters alleged by the trustee is the best way to understand just how intertwined these various parties are.

Gordian Trading was incorporated in Great Britain as a private company on May 9, 2012.[30] James Winder was its manager, director, and sole shareholder. Trevor Modell's son Devon was a director along with Winder from 2013 on. Trevor was appointed a director of Gordian and signed on as a "consultant" in January of 2014.[31] As of 2016 the Modells and Winder remained as Gordian's three directors.[32] As of the date of the petition, Gordian owned 100% of RALOI, which owned 100% of debtor LPUSH, which in turn owns 100% of debtor LPAI. Gordian is therefore the upstream parent of debtors.[33]

Modell has a variety of business interests in the UK and runs a family business called "ELG." ELG, in turn, owns or controls an entity called Springfield which supplied component parts to Lister–Petter entities including Lister–Petter Limited (LPL) and LPAI. Debtor built and shipped small diesel engines, mostly used to power electrical generators. Modell also owns and controls Dorset Road 1, Ltd., Dorset Road 2, Ltd., and Dorset Road 3, Ltd. Dorset 3 owns MilFab Engineering, one of LPAI's unsecured creditors. Dorset 1 is LPAI's largest account debtor owing more than $1.7 million for parts shipped pre- and post-petition.

According to Modell and the debtor, the Lister–Petter entities were initially owned and controlled by Robert D'Aubigny, a resident of Monaco, and aggregated in "St. Catherine's Trust," a Guernsey, Channel Island entity. The Trust owned Lister Petter Group (LPG), parent to Lister Petter Investment Holdings (LPIH) which, in turn, owned Lister Petter Limited (LPL) and R.A. Lister Overseas Investment, Ltd. (RALOI). RALOI, in turn, owns debtors Lister

Petter United States Holdings (LPUSH) and Lister Petter Americas, Inc. (LPAI). Sometime before 2014, LPL failed to pay Springfield for shipped inventory and, in December of 2014, Lister Petter Group (LPG) was placed in a United Kingdom insolvency proceeding called "Administration"—a judicial liquidation.

In January of 2015, Modell and Gordian approached the LPG administrator offering to purchase RALOI for £1.7 million, but only paid in about £>120,000 of it due to cash flow problems in the American entities. Gordian made no payments to the administrator after July of 2015 because Modell concluded that D'Aubigny had lacked authority to execute the transfer of RALOI from Lister Petter FZE to LPIH. Nevertheless, according to Modell, he needed RALOI so that he could access LPAI's production capacity to service a contract Dorset 1 had won to supply generators in Vietnam. Philip Briggs, who appeared in this case as general manager of LPAI, testified at the cash collateral hearing that he was employed and compensated by Dorset 1 and FZE.[34] Modell and Briggs appear to have caused the debtor to ship parts to Dorset 1, but, after the bankruptcy case was filed, Dorset rejected them as defective and non-conforming.

***5** Modell suggested in testimony that he and D'Aubigny are fierce adversaries,[35] but the record suggests they share common interests. Modell attempted to acquire LPIH's shares in another entity, Lister Petter, Ltd. and is described in that liquidator's report as "a former director" of LPL. Moreover, it appears that Modell had been involved with the debtor LPAI for at least a year before the filing. A history of the loan that Gordian now claims to own and seeks to enforce in this motion makes that clear. According to documents that were attached to Gordian's proof of claim in this case (signed by Modell), beginning in 2008, the debtor had a $5,000,000 commercial revolving line of credit at the Citizens Bank and Trust (CBT) in Gladstone, Missouri. This loan was secured by all of the debtor's (LPAI's) assets and was guaranteed by LPIH. The loan was amended numerous times and its balance increased to $12,000,000 by June of 2013. But, by March of 2014, the parties had executed a forbearance agreement that indicated the debtor had defaulted. On March 26, the forbearance was modified to extend the maturity of the loan, reduce the available credit to $2,500,000, and to require that Modell supply a guaranty of $950,000 of the debt by April. LP Green Tech was to grant CBT a charge on all of its intellectual property. In September, the forbearance agreement was further amended to require, among other things, that Bakersfield, an entity apparently controlled by D'Aubigny, agree to pay down the loan by liquidating securities it held in Monaco at UBS Monaco. In return for this, CBT agreed to forbear until March 31, 2015. So, at the beginning of 2015, LPAI was in forbearance status with CBT with the expectation that its debt would be reduced by £955,000 or about $1,402,000 when the securities payment cleared. Debtor had a deposit account at CBT of $639,000 and the balance of its debt was $2,600,000.

Modell was a director and in nominal control of the debtor LPAI because Gordian had entered into an agreement in January of 2015 to purchase RALOI's stock and, based upon his willingness to guarantee part of the debtor's debt, Modell had previously been involved in some way with the company. On March 3, 2015, ESL acquired the loan from CBT along with an assignment of the guaranties of FZE, LP Green Tech, RALOI, D'Aubigny, and the securities pledge of Bakersfield. Modell's guaranty is not mentioned. The Loan Sale Agreement provided that the price of the loan was $1,764,946, that CBT would make demand on the guarantors before transferring the loan, and that ESL and Robert D'Aubigny would release CBT from any claims concerning the transaction. To pay for the assignment, ESL would give CBT a promissory note for the purchase price of the loan secured by a lien on all of the assigned loan documents in ESL's hands. When CBT received the proceeds of the UBS stock securities account and the balance of the amount due under the assignment, it would release its lien. Bakersfield liquidated the securities account and transferred the proceeds on February 27, 2015 to CBT. According to Modell, after this occurred, he ran into Anthony Jaffe, one of D'Aubigny's associates and a principal of ESL, on a plane. Jaffe told him about the CBT–ESL transaction, but noted that D'Aubigny had not caused Bakersfield to pay off the assignment obligation. Modell then proposed that Gordian acquire the CBT loan from ESL. Notably, by this time, Modell was a director of the debtor LPAI. By the time the case was filed on March 17, Gordian was the indirect owner of LPAI through its acquisition of RALOI. Just ten days after the case was filed here, Gordian executed a sale agreement with ESL to purchase the CBT note for $450,000, the sale to be closed April 24. That amount was to be paid by Gordian to Mishcon de Reya, its attorneys in this case, with most of the money being transferred to CBT to pay off ESL's remaining

obligation to CBT under the March agreement, thus releasing D'Aubigny's guaranty and any obligations Jaffe might have. So, by April 24, Gordian, run by Modell, owned the principal secured claim against the debtor LPAI and owned the debtor's owner, RALOI.

Modell as director of Gordian, signed Gordian's proof of claim in LPAI's bankruptcy.[36] According to debtors' March 17, 2015 corporate resolutions authorizing the filing of these bankruptcy cases, Modell was also a director of LPAI and LPUSH and signed the voluntary petitions and schedules. He was thus a director of both LPAI and Gordian at all relevant times until he resigned as director of debtors, after Gordian had acquired the CBT loan from ESL. In the schedules that Modell signed he listed the ESL claim that Gordian acquired in the amount of $304,000 and as "disputed;" in Gordian's proof of claim he listed the claim in the amount of $2,048,022.

***6** Modell also owned Dorset 1 which owes the debtor over $1,700,000, representing the single largest account receivable. Modell also controls all of LP Green Tech's intellectual property because one of the loan documents assigned to Gordian is the charge on that property.

The Modells resigned as directors of the debtors in June of 2015, around the time of the motions for appointment of a chapter 11 trustee and to convert or dismiss the case. Modell placed Dorset Road 1 in an administration proceeding in the UK on November 26, 2015, thwarting any effort on the part of the estate to collect the account receivable.

C. The trustee's adversary complaint[37] and claim objection[38]

The trustee sued Modell, his son Devon Modell, and Gordian on February 24, 2017 alleging that Gordian's claim should be equitably subordinated because he says Modell's actions concerning Dorset Road's account payable and Gordian's acquisition of the CBT loan breached Modell's fiduciary duties to the bankruptcy estate and the other creditors.[39] He also claims that Gordian and the Modells are liable for the conduct of D'Aubigny and Jaffe during the time that ESL held the loan, supplying a further basis for subordination. The trustee further claims that Gordian and the Modells caused the debtor to ship product to Dorset Road 1 and retained control of the property through their control of Dorset Road 1 during the pendency of the case, making them liable for turnover under § 542. The trustee has objected to Gordian's claim in this case, asserting that Modell's signing of debtor's bankruptcy schedules that listed the ESL claim at $304,000 amounts to a judicial estoppel of his now claiming more than $2 million for Gordian. Moreover, he asserts that the debtor should get credit for the value of the intellectual property that is subject to the CBT charge. Finally, the trustee claims the right to surcharge the proceeds of the sale to pay administrative expenses accrued and to be accrued in the case.

D. Condition of the collateral proceeds fund

When the trustee liquidated LPAI's remaining assets, he deposited them in a trustee account at the Bank of Kansas City. From that account, he paid final sale expenses that included facilities rent, auctioneer's fees, and wages for former employees involved in organizing the sale. Pursuant to the Executive Office of the U.S. Trustee (EOUST) guidelines, chapter 7 trustee accounts can be deposited with only certain approved financial institutions that do not pay interest. Indeed, these institutions charge a monthly service fee that is based upon a percentage of the assets on deposit. As an incentive for the trustees to use these institutions, the approved banks supply trustees with accounting software. As a result, the amount on deposit has been reduced by court-ordered payments to LPAI's landlords and other direct expenses of sale. In addition, until the funds were transferred to the Court's account, the bank assessed an average monthly service fee of $1,000. This diminution and the likelihood of further administrative expenses being surcharged against Gordian form the basis for Gordian's allegation that its interest in the funds lacks adequate protection.

II. Analysis

***7** Gordian, as the successor to ESL and the CBT secured loan to LPAI, contends the automatic stay should be lifted for cause under 11 U.S.C. § 362(d)(1) because its interest in the sale proceeds from the liquidation of LPAI's assets held by the trustee is not adequately protected where those funds are diminishing.

A. Stay Relief Standards and Adequate Protection

"Cause" for relief from the stay is not specifically defined by the Bankruptcy Code, but it includes the lack of adequate protection of the creditor's interest in the collateral or proceeds of the collateral that secure the debt. [40] In prosecuting its stay relief motion, Gordian has the burden of proof on the debtor's equity in the property, but the trustee has the burden of proof on all other issues. [41] The trustee therefore has the burden of proving that Gordian is adequately protected in the proceeds from the sale of debtor's assets that he holds. Here, Gordian contends that it is not adequately protected because the amount of sale proceeds continues to decline due to payment of certain administrative expenses, including the bank's monthly service fees where the funds are on deposit. The trustee counters that the funds on deposit are safe and secure and cannot be disbursed without a court order.

a. Remedying adequate protection issues

Adequate protection is a question of fact to be decided on a case-by-case basis under the totality of the circumstances. [42] The linchpin of adequate protection is value and the court must preserve the value of the collateral. [43] In addition to Gordian's alleged lien in the proceeds from the sale of LPAI's assets that secured the loan, this Court's recent directive that the trustee deposit the funds in an interest bearing account through the Court Registry Investment System (CRIS) administered by the Administrative Office of the United States Courts affords Gordian additional protection from future bank service fees and charges that would otherwise diminish the amount of funds on deposit and held by the trustee. [44] As reported by the trustee, the § 363(f) sales of LPAI's assets in September and October of 2015 grossed $787,629 and in addition, the trustee collected some accounts receivable. [45] Little transaction activity occurred in the trustee's account during 2016 except for the bank service fee charges. [46] Gordian filed its motion for stay relief on August 19, 2016 and the evidentiary hearing was held some six months later, but Gordian never sought to expedite the hearing to stop the siphoning of bank service fees—a situation over which the trustee had no control. Had Gordian done so, the Court likely would have issued its directive to transfer the funds to CRIS much earlier. The transfer of the funds to an interest-bearing facility provides adequate protection of Gordian's interest in the deposited funds.

***8** In *In re Utah Aircraft Alliance,* the Tenth Circuit Bankruptcy Appellate Panel considered a seller's motion for relief from the stay for lack of adequate protection dealing with seller's retained interest in five aircraft it sold under a prepetition sales agreement with debtor. [47] The trustee argued that seller's security interest was unperfected because it had not recorded its security interest with the Federal Aviation Administration and had a colorable defense to the seller's claim that it had a repairman's lien under state law because the seller did not continuously possess the aircraft as necessary to assert the lien. Because the trustee raised colorable defenses to dispute the seller's claim of ownership and security interest, stay relief was denied.

> At a stay hearing, the court merely determines whether the movant has a colorable claim, i.e., a facially valid security interest. It then should consider whether the objector has raised a colorable defense that, not merely offsets the movant's claim, but actually would defeat the movant's claim. In this context, the bankruptcy court limits its consideration of defenses to those that strike at the heart of the creditor's lien or that bear on the debtor's equity in the property. [48]

Here, the trustee has made a colorable claim that the amount and extent of Gordian's claim to the sale proceeds is substantially overstated or that its claim should be equitably subordinated due to the circumstances surrounding Gordian's acquiring the claim. If that claim acquired from ESL is valid and in the amount of $304,000 as debtor (Modell) represented under penalty of perjury in its bankruptcy papers, rather than the $2.048 million that Gordian now asserts in its proof of claim (also signed by Modell), Gordian is adequately protected in the sale proceeds because the funds on deposit are more than double the amount of the claim as scheduled by debtor and the estate is earning interest on those funds deposited with the court registry. [49] And if Gordian's claim is equitably

subordinated as the trustee alleges it should, it may have no interest in the sale proceeds.

Finally, the credit acquired by Gordian from ESL/CBT was further collateralized by a charge on intellectual property of debtor's affiliate LP Green Tech. [50] Modell controls all of LP Green Tech's intellectual property because one of the loan documents assigned to Gordian is the charge on that property. That intellectual property has not been accounted for nor has its value been determined. Until the intellectual property is determined to have no value, that property provides additional adequate protection. That will be sorted out in the claim objection process, and is further reason to maintain the status quo with respect to the deposited funds.

B. Trustees' Defenses

Apart from adequate protection, courts consider a number of factors in determining whether cause exists under the totality of the circumstances for lifting the stay, including injury to the movant if the stay is not modified and the good or bad faith of the debtor. [51] The totality of the circumstances encompasses "how the parties have conducted themselves, their good or bad faith, and their motives." [52] Gordian has the initial burden to show that cause exists to lift the stay, after which the ultimate burden shifts to the trustee to demonstrate why it should remain in place. [53]

a. Balance of harms

***9** Other than delay in realizing on its cash collateral, it is difficult to conclude that Gordian suffers any harm by keeping the stay in place. With the transfer and deposit of the sale proceeds to an interest-bearing account, Gordian's interest in the sale proceeds is protected from diminution in value while the funds remain on deposit and while the parties litigate the extent of Gordian's claim and the claims asserted by the trustee against Modell and Gordian in the adversary proceeding. Lifting the stay and allowing the sale proceeds to be turned over to Gordian and Modell would be letting the horse out of the barn. The amount of Gordian's claim is in serious question, given the conflicting amounts that have been asserted by Modell while acting for LPAI and while acting for Gordian. Gordian's filed claim may be subject to an estoppel defense. Given the difficulty in exercising jurisdiction over foreign entities and non-resident individuals, and the complex maze of interrelated companies with Modell seemingly involved in all of them in some capacity, the trustee would likely find it difficult to recover the funds if released to Gordian and Modell. Once they have the money, Gordian and Modell would lose any incentive to prosecute their claim, defend the trustee's claims, and to cooperate in the administration of this case. If the Trustee prevailed, the onus to recover these funds would be on him. The balance of harms weighs in favor of the trustee, requiring the continuation of the stay while the Court adjudicates the claims between the parties.

b. Modell's (and Gordian's) motives and self-dealing

This factor weighs heavily on the "cause" inquiry under the circumstances of this case. As noted by the trustee, Modell was on "all sides" of this case. Gordian (Modell) acquired RALOI shortly before this case was filed and thereby gained control over the debtors. As a director of both debtors he authorized the commencement of this chapter 11 case on March 17, 2015, signing the petition and later signing the schedules filed April 1, 2015.

Modell's companies, Dorset Road and Milfab, were listed among LPAI's largest account debtors. [54] The Dorset Road account debt swelled by $1,520,457 prior to conversion of the case when Modell caused LPAI to ship goods to Dorset Road and Dorset Road refused to pay for them. Modell then placed Dorset Road in a United Kingdom insolvency proceeding or "administration."

Modell was a director of Gordian, debtors' upstream parent and an insider, when a few days after debtors filed this case it acquired the loan of LPAI's principal secured creditor ESL for $450,000. As director of debtors, Modell stated that the amount of ESL's claim was $304,000 and that the claim was disputed. As director of Gordian, Modell represented that its claim was $2.048 million. So by the end of April of 2015, Gordian (Modell) indirectly owned debtors LPAI and LPUSH and was the principal secured creditor of debtors. And Modell, through Dorset Road was LPAI's principal customer and business source and largest account debtor.

Shortly after Gordian's purchase of the ESL debt closed, Modell requested debtors' counsel to convert LPAI's case to chapter 7, "so that Gordian Trading could foreclose its security interest," and "to eliminate the standing of the Creditors' Committee to raise issues." [55] Modell also suggested that Dorset Road, LPAI's major customer, might cease business activity with LPAI, thus creating a cash flow problem for debtor. [56] Debtor's then counsel, Edward Nazar, cautioned Modell that a conversion to chapter 7 may call into question management's good faith and whether there was an ulterior motive, such as obtaining control and title to debtor's assets free of claims of unsecured creditors. This could result in suits to subordinate Gordian's claim. If management of debtor were questioned, it could also result in the appointment of a chapter 11 trustee. [57]

As it turned out, the concerns and assessment of the situation expressed by Mr. Nazar in his letter of April 30, 2015 came to fruition. The Committee sought and obtained the appointment J. Michael Morris as chapter 11 trustee on June 24, 2015, citing Modell's breach of fiduciary duties to the estate. The chapter 11 trustee proceeded with inventorying and selling the debtors' assets. On June 25, 2015, Modell resigned as a director of debtors, leaving no management of debtors in place. After completion of the sales of debtors' assets, the case was converted to chapter 7 on December 14, 2015 with Mr. Morris appointed as the chapter 7 trustee. As predicted by Mr. Nazar, the trustee's suit against Modell and Gordian followed and includes claims to equitable subordinate Gordian's claim, for turnover of the $1.5 million worth of property shipped post-petition to Dorset Road (controlled by Modell) and never paid for, and to judicially estop Gordian from asserting a claim in excess of $304,000. The trustee has also objected to Gordian's claim.

***10** This recitation of Modell's and Gordian's conduct, self-dealing, and motivation, clearly evidenced by Mr. Nazar's April 30 letter, alone is sufficient to warrant the continuation of the stay until the trustee's claim objection and his causes of action asserted in the adversary complaint are finally adjudicated by this Court. [58]

III. Conclusion

Where, as here, Gordian's claim is disputed and the trustee is directly attacking that secured claim, [59] the Court must first adjudicate the merits of the trustee's affirmative claims for relief before determining whether to grant relief from the stay. [60] Because the trustee's adversary complaint was only recently filed, the Court will allow a reasonable time for discovery by the parties before conducting a trial of those claims. In the meantime, Gordian's interest in the liquidation proceeds of LPAI is adequately protected by their deposit in an interest-bearing account to preserve their value, subject to my further order. Accordingly, Gordian's motion for relief from the stay is DENIED at this time.

SO ORDERED.

All Citations

Slip Copy, 2017 WL 1511888, 77 Collier Bankr.Cas.2d 1446

Footnotes

1 11 U.S.C. § 362(d)(1).

2 11 U.S.C. § 363.

3 According to legend, the people of Phrygia made Gordius king and, in gratitude, he made a shrine out of his wagon, tying it with a "fast knot" to a pole—

> This was the celebrated Gordian knot, which, in after times it was said, whoever should untie should become lord of all Asia. Many tried to untie it, but none succeeded, till Alexander the Great, in his career of conquest, came to Phrygia. He tried his skill with as ill success as others, till growing impatient he drew his sword and cut the knot. When he afterwards succeeded in subjecting all Asia to his sway, people began to think that he had complied with the terms of the oracle according to its true meaning.

THOMAS BULLFINCH, *BULLFINCH'S MYTHOLOGY* 48 (Thos. Y. Crowell Co. 1913) (1855).

4 *See J. Michael Morris, Trustee v. Gordian Trading Limited UK, et al.*, Adv. No. 17–5030 (Bankr. D. Kan.) filed February 24, 2017.

5 Claim No. 54 and Trustee's objection, Doc. 419.

6 Doc. 429. The sum of $688,888.58 was received by the Court for deposit. *See* Bankr. D. Kan. Standing Order 16–1.

7 At the evidentiary hearing the movant Gordian Trading Limited UK appeared by Vincent Filardo, Jr. and Michael DeVincenzo of Mishcon de Reya New York LLP. The chapter 7 trustee J. Michael Morris appeared in person and by attorney Christopher A. McElgunn of Klenda Austerman LLC, Wichita, Kansas and special counsel Maria Sawczuk of Goldstein McClintock, LLLLP, Chicago, Illinois.

8 For ease of reference in these jointly administered cases, and because nearly all of the activities and transactions relate to the debtor Lister–Petter Americas, Inc., (the operating entity), the Court's reference to "debtor" herein will mean LPAI singularly or both debtors, depending on the context that it is used.

9 Doc. 67. Modell's title or office of LPAI was not specified, but according to the corporate resolutions, Modell and his son Devon are the directors of both debtors. Ex. B and C.

10 Doc. 77.

11 The original credit was extended by Citizens Bank & Trust (CBT) in 2008 and was secured by a lien on all of LPAI's assets. ESL acquired the CBT credit facility by assignment in March of 2015, shortly before debtors filed their chapter 11 cases.

12 Gordian Trading owned RALOI.

13 See Doc. 12, p. 3.

14 Doc. 45, ¶ 19.

15 *Id.* at ¶ 4.

16 Doc. 67. Debtor scheduled ESL's claim on Schedule D as disputed and in the amount of $304,000.

17 Doc. 74.

18 Doc. 71.

19 Doc. 79.

20 Doc. 128, pp. 5–6.

21 Doc. 131.

22 Doc. 147.

23 Doc. 151 (Courtroom Minute Sheet for May 28, 2015).

24 Doc. 161.

25 Doc. 165.

26 Doc. 168, ¶ 15.

27 Doc. 185.

28 Doc. 364, 375.

29 Doc. 377.

30 Ex. 1.

31 Ex. 4.

32 Ex. 3.

33 *See* Doc. 67, p. 70 (Statement of Financial Affairs, Question 18).

34 There is some dispute about who actually paid Briggs. Though the debtor asserted that Dorset Road 1 and Gordian paid him, doc. 168, Briggs testified that his compensation was due from Dorset Road 1 and Lister Petter FZE, a Dubai company owned or controlled by D'Aubigny. See Doc. 204, 47–51.

35 Modell said D'Aubigny tried to shoot him once.

36 *See* Claim No. 54–1 in the amount of $2,048,022 filed July 9, 2015.

37 Doc. 1, *Morris v. Gordian Trading Limited UK, et al. (In re Lister–Petter Americas Inc.),* Adv. No. 17–5030; Case No. 15–10502 (Bankr. D. Kan.).

38 Claim No. 54 and Trustee's objection, Doc. 419.

39 On March 17, 2017 Morris amended his complaint adding a fraudulent transfer avoidance claim based upon a $7.5 million increase in LPAI's loan with CBT on June 20, 2013. Adv. Doc. 4.

40 11 U.S.C. § 362(d)(1) ("cause" includes the lack of adequate protection).

41 § 362(g).

42 Adequate protection is a question of fact and is to be decided flexibly on a case by case basis. *MBank Dallas, N.A. v. O'Connor (In re O'Connor),* 808 F.2d 1393, 1396–97 (10th Cir. 1987). *See also Pursifull v. Eakin,* 814 F.2d 1501, 1506 (10th Cir. 1987) (Because "cause" is not defined, relief from the stay is discretionary and must be determined on a case-by-case basis.); *In re JE Livestock, Inc.,* 375 B.R. 892, 897 (10th Cir. BAP 2007) (citing *Pursifull, supra)*.

43 *In re O'Connor,* 808 F.2d 1393, 1398.

44 *See* S.O. 16–1, effective October 12, 2016.

45 Doc. 292.

46 *See* Doc. 403, Trustee's Interim Report for period ending December 31, 2016 showing $690,841 as the balance of funds on hand, and showing monthly bank service fees disbursed.

47 342 B.R. 327 (10th Cir. BAP May 19, 2006).

48 *Id.* at 332.

49 Debtor also represented in its motion to use cash collateral that its obligation under the CBT/ESL credit facility was $304,000 on the date of the petition. *See* Doc. 12, ¶ 6.

50 *See* Ex. 5, G005.162–G005.183 (Charge over Intellectual Property dated September 30, 2014). The Charge and LP Green Tech's guarantee of the LPAI debt were required as a condition of the forbearance agreement between CBT and LPAI. The assignment of the CBT loan and loan documents to ESL specifically conveyed the Charge. *See* Ex. 7 at G007.005 (# 18).

51 *In re JE Livestock, Inc.,* 375 B.R. 892, 897 (10th Cir. BAP 2007).

52 *Id.* (Debtor's refusal to propose a plan that utilized court's valuation of collateral made under § 506(a) at debtor's request for treatment of creditor's claim constituted lack of good faith in prosecuting chapter 11 case.)

53 *In re Busch,* 294 B.R. 137, 140–41 (10th Cir. BAP 2003).

54 On Schedule F filed April 1, 2015, LPAI listed the claim of Dorset Road in the amount of $390,000 and listed the claim of Milfab at $240,000. *See* Doc. 67.

55 *See* Ex. S.

56 *Id.*

57 *Id.*

58 *See* Ex. S.

59 The trustee's claims for equitable subordination under § 510(c) and avoidance of fraudulent transfer under § 548(a)(1)(B) in particular strike at the heart of Gordian's secured claim. *See* Adv. No. 17–5030, Doc. 4, Counts I, II, and V.

60 *See In re Franklin Equipment Co.,* 416 B.R. 483, 506–07 (Bankr. E.D. Va. 2009) (chapter 7 trustee's assertion that insiders' secured claim should be recharacterized from debt to equity was a defense that went directly to the heart of the insiders' claims; recharacterization of debt achieves essentially the same result as equitable subordination); *In re Poughkeepsie Hotel Assocs. Joint Venture,* 132 B.R. 287, 292 (Bankr. S.D. N.Y. 1991) (equitable subordination defense went to the heart of creditor's claim and should be adjudicated in deciding whether to grant relief from the stay); *In re Davenport,* 34 B.R. 463, 466 (Bankr. M.D. Fla. 1983) (stay relief denied until fraudulent transfer claims are adjudicated because the validity of creditor's lien was at issue).

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Appendix II

B

2012 WL 4737372
Only the Westlaw citation is currently available.
United States Bankruptcy Court,
N.D. Iowa.

In re Walter H. CARTER and Debra K. Carter.

No. 11–00759.
|
Oct. 3, 2012.

ORDER ON MOTION FOR RELIEF FROM STAY

THAD J. COLLINS, United States Chief Bankruptcy Judge.

***1** This matter is before the court on Creditor Estate of Leon Jerome Heimer's Motion to Lift the Automatic Stay. The Court held an evidentiary hearing on the Motion May 2, 2012. Nicholas T. Larson appeared for Debtors Walter and Debra Carter. Mark L. Walk appeared for the Estate of Leon Jerome Heimer (the "Heimer Estate"). The Court heard the evidence and arguments and took the matter under advisement. Both parties provided supplemental briefs. This is a core proceeding under 28 U.S.C. § 157(b)(2)(G).

STATEMENT OF THE CASE

The Heimer Estate seeks relief from the automatic stay under 11 U .S.C. § 362(d) to pursue state court remedies against secured collateral, a 2005 Cadillac Escalade (the "Escalade"). Before Debtors' bankruptcy filing, at the direction of the Heimer Estate, the Mitchell County Sheriff levied on the Escalade and took possession. The vehicle remains in the possession of the Mitchell County Sheriff. Debtors object to the Motion for Relief from Stay and contend that the Escalade must be returned to the Debtors and that the Heimer Estate cannot foreclose on the Escalade. The Court holds that the Heimer Estate is inadequately protected and grants the Motion for Relief from Stay. The Court declines to address any of the other relief requested by the parties because such requests are not properly before the Court.

FINDINGS OF FACT AND PROCEDURAL BACKGROUND

In 2005, Debtor Debra K. Carter won a 2005 Cadillac Escalade. Debtors used the Escalade to secure a debt of $21,299.79 on two loans with St. Ansgar State Bank (the "Bank"). The Bank perfected its security interest against the vehicle.

Debtors also held an open account with Jerome Heimer. Before this bankruptcy, Heimer passed away and the Heimer Estate took action in Iowa District Court to collect on the open account. The Heimer Estate obtained a money judgment against Debtors in the amount of $30,230.74, plus costs. The Iowa District Court issued a writ of execution to the Mitchell County Sheriff.

On March 15, 2011, the Sheriff levied on the Escalade and scheduled the sale of the vehicle for May 6, 2011. On March 24, 2011, the Heimer Estate paid off the $21,299.79 balance owing to the Bank and assumed the Bank's interest. The Bank then released its security interest on the certificate of title. On March 26, 2011, the Mitchell County Treasurer recorded the lien release on the certificate of title for the Escalade. Debtors were current on their loan payments to the Bank at that time.

On April 6, 2011, Debtors filed a Chapter 7 petition. On Schedule C, Debtors claimed a combined $13,600.00 in exempt value on the Escalade under Iowa Code § 627.6(9)(a), which provides an individual exemption of up to $7,000.[1] No party objected to Debtors' claimed exemption.

On July 20, 2011, Debtors filed a Motion to Avoid Judicial Lien under § 522(f). The Motion argued the Heimer Estate's lien rights resulted entirely from a judicial lien that impaired Debtors' exemption in the Escalade. On July 28, 2011, the Heimer Estate resisted and argued its lien consisted of two parts: (1) a consensual security interest it acquired from buying out the Bank, and (2) a judicial lien from its original open account judgment. The Estate argued that only the judicial lien partition could be avoided under § 522(f).

***2** On July 29, 2011, the Heimer Estate filed a motion under 11 U.S.C. § 362(d) seeking relief from the automatic stay. The Estate requested the stay relief to satisfy its

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consensual lien (acquired from the Bank) through a Sheriff's sale. It claimed relief for cause citing a lack of adequate protection. Debtors resisted for several reasons. Debtors claimed that because the Heimer Estate was originally a judgment creditor, that all of the Heimer Estate's claims—including the one purchased from the Bank during the foreclosure—should be considered avoidable judicial liens. Debtors also argued the Heimer Estate created the adequate protection issue. Finally, the Debtors argued they intend to file a Motion for Turnover or Abandonment of the Escalade.

The Court set a hearing on the Motion to Avoid Lien for August 31, 2011. The Heimer Estate filed a Motion to Continue the Initial Hearing on the Motion for Relief from Stay until after the August 31, 2011 hearing on the Motion to Avoid Lien. The Court granted the Motion to Continue. The parties presented evidence and argument on the Motion to Avoid Lien hearing on August 31, 2011. They filed post-hearing briefs. The initial hearing on relief from stay was held on Sept. 2, 2011. Final hearing was to be set after a ruling on the Motion to Avoid Lien. The Motion for Relief from Stay hearing was continued several times waiting for the Court to rule on the Motion to Avoid Lien.

When the Court ruled on the Motion to Avoid Lien, it determined that the Heimer Estate became subrogated to the rights of St. Ansgar State Bank, a consensual lien holder, when it paid off the Bank's security interest. *In re Carter,* Bankr.No. 11–00759, 2011 WL 5080153 (Bankr.N.D.Iowa Oct. 26, 2011). The Court concluded the Debtors could not avoid the lien because the Heimer Estate was a consensual lien holder and entitled to all the rights and privileges the Bank previously held. *Id.*

The Debtor appealed. The Hearing on the Motion to Lift Stay was again continued while the matter was on appeal. The Bankruptcy Appellate Panel eventually upheld the determination. *In re Carter,* 466 B.R. 468 (B.A.P. 8th Cir.2012).

After the Bankruptcy Appellate Panel's ruling, this Court scheduled the hearing on the Motion to Lift Stay for May 2, 2012. Before this hearing, the Debtors had corresponded with the Heimer Estate in an attempt to regain possession of the Escalade. The Heimer Estate acknowledged that the Escalade was property of the estate, but refused to return the non-exempt value of the Escalade that was subject to its lien. The Heimer Estate offered to return the exempt value, if any, after the Sheriff's sale.

The parties presented evidence and arguments at the May 2, 2012 final hearing on relief from stay. The Heimer Estate presented evidence and argument that the value of its collateral inadequately protects its interest and that the Court should modify or lift the stay. The Heimer Estate presented evidence on the value of the Escalade to attempt to show lack of adequate protection. The Heimer Estate claimed the current value of the Escalade was $19,200. On cross-examination by Debtor, the Heimer Estate's own expert witness testified he would list the vehicle for sale at about $22,000 or $23,000. Debtors also presented their own evidence of the NADA price guide valuing the Escalade at a retail price of $27,337.

***3** Debtors argued for the first time at the hearing that the Escalade was exempt from inclusion in the bankruptcy estate, that the Heimer Estate had an affirmative duty to return the vehicle to the Debtors' possession, and if the vehicle was not returned, that the Heimer Estate could be liable for damages for violating the automatic stay. Moreover, Debtors argued it would be inequitable for the Heimer Estate to pursue a foreclosure remedy which the original creditor, St. Ansgar State Bank, had not, especially as the Debtors have maintained insurance on the vehicle and were not in default prior to the bankruptcy. The Court noted those issues were not previously pled in the Resistance to the Motion to Lift Stay. Debtors filed a post-hearing brief on May 9, 2012. It raised many of the same issues. The Heimer Estate replied on May 14, 2012.

CONCLUSIONS OF LAW

The Heimer Estate brought a Motion for Relief from Stay under § 362(d) due to lack of adequate protection. Section 362(d)(1) allows for relief from stay "for cause, including the lack of adequate protection of an interest in property of such party in interest." "[A]dequate protection is a question of fact." *Martin v. United States (In re Martin),* 761 F.2d 472, 474 (8th Cir.1985). In an action under § 362(d), "the party requesting relief has the burden of proof on the issue of the debtor's equity in property; and ... the party opposing such relief has the burden of proof on all other issues." 11 U.S.C. § 362(g). This means in an action under § 362(d)(1):

> Once the creditor has established a prima facie case of cause under § 362(d)(1), the debtor has the burden of establishing that the creditor's interest is or will be adequately protected. The debtor must affirmatively propose the method by which it will afford adequate protection and the Court must then determine the adequacy of the debtor's proposal.

In re Lilyerd, 49 B.R. 109, 116 (Bankr.D.Minn.1985) (citations omitted); *see also In re Panther Mountain Land Dev., LLC,* 438 B.R. 169, 191–92 (Bankr.E.D.Ark.2010) (Once a creditor has shown "a prima face case for lack of adequate protection, ... the burden to prove creditor is adequately protected shifts to the Debtor."); *In re Gilbertson Rests. LLC,* Bankr.No. 04–00385, 04–00384, 04–00386, 04–00387, 2004 WL 1724876, at *2 (Bankr.N.D.Iowa May 20, 2004) ("Debtor has the burden of establishing that [creditor] is adequately protected.").

"[Adequate protection] is a flexible concept designed to ensure that the creditor receives the value for which it bargained." *Id.* at *2 (citing *Martin,* 761 F.2d at 474). The Eighth Circuit has summarized the concept of adequate protection as follows:

> The concept of adequate protection was designed to "*insure* that the secured creditor receives the *value* for which he bargained." S.Rep. No. 989, 95th Cong., 2d Sess. 53, *reprinted in* 1978 U.S.Code Cong. & Ad. News 5787, 5839 (emphasis added); *see also* H.R.Rep. No. 595, 95th Cong., 2d Sess. 339, *reprinted in* 1978 U.S.Code Cong. & Ad. News 5963, 6295. Congress explicitly stated that *value* was to be considered a flexible concept "to permit the courts to adapt to varying circumstances and changing modes of financing," and that such matters "are [to be] left to case-by-case interpretation and development." H.R.Rep. No. 595 at 339, 1978 U.S.Code Cong. & Ad. News at 6295; *see also* S.Rep. No. 989 at 54, 1978 U.S.Code Cong. & Ad. News at 5840. Because Congress intended that *value* was to be determined on a case-by-case basis, that which is designed to protect value, i.e., adequate protection, must also be determined on a case-by-case basis, permitting the debtors "maximum flexibility in structuring a proposal for adequate protection." *In re American Mariner Industries, Inc.,* 734 F.2d 426, 435 (9th Cir.1984).

***4** *Martin,* 761 F.2d at 474 (emphasis original).

"[A] secured creditor's interest in property is not adequately protected if the security is depreciating during the term of the stay." *U.S. Sav. Ass'n of Tex. v. Timbers of Inwood Forest Assocs .,* 484 U.S. 365, 370 (1988). The classic 'adequate protection' for a secured debt, justifying continuation of the stay, is the existence of an equity cushion." *In re Micozzi,* Bankr.No. 91–1021–W, 1991 WL 11731156, at *5 (Bankr.S.D.Iowa Nov. 18, 1991). " '[T]he existence of an equity cushion, standing alone, can provide adequate protection.' " *In re Rizotto,* Bankr.No. 09–6096511, 2009 WL 2477232, at *4 (Bankr.D.Mont. Aug. 11, 2009) (quoting *Pistole v. Mellor (In re Mellor),* 734 F.2d 1396, 1400 (9th Cir.1984)). Because of the fact-specific nature of the inquiry, courts naturally differ on exactly how much of an equity cushion is required to protect the debtor. However, " '[c]ase law has almost uniformly held that an equity cushion of 20% or more constitutes adequate protection.' " *Mendoza v. Temple–Inland Mortg. Corp. (In re Mendoza),* 111 F.3d 1264, 1272 (5th Cir.1997) (quoting *In re Kost,* 102 B.R. 829, 831 (Bankr.D.Wyo.1989)); *see also In re JER/Jameson Mezz Borrower II, LLC,* 461 B.R. 293, 305–06 (Bankr.D.Del.2011); *In re McKillips,* 81 B.R. 454, 458 (Bankr.W.D.Ill.1987) (surveying adequate protection cases and finding case law agreement on a 20% equity cushion being sufficient, 10% being insufficient, and cases conflicting in the middle).

At the same time, the lack of a sufficient equity cushion is, without more, not enough to show a lack of adequate protection. *In re Panther Mountain Land Dev., LLC,* 438 B.R. 169, 191–92 (Bankr.E.D.Ark.2010) (" '[O]ne who stands only to lose his equity cushion, largely through earning additional interest, hardly seems worse off.' " (quoting *In re Lane,* 108 B.R. 6, 8–9 (Bankr.D.Mass.1989))). If lack of an equity cushion were enough, then that would imply "the undersecured creditor always has cause to lift the stay." *Micozzi,* 1991 WL 11731156, at *5 (citing *In re Lane,* 108 B.R. 6, 8–9 (Bankr.D.Mass.1989)). Thus at a minimum, lack of adequate protection requires both the lack of an adequate equity cushion as well as the depreciation of the collateral. *In re Lane,* 108 B.R. 6, 8–9 (Bankr.D.Mass.1989) (discussing the implications of *Timbers* and finding the need for something more than a lack of an equity cushion).

In this case, Debtor failed to establish the Heimer Estate is adequately protected. The parties have presented evidence that at best shows the Heimer Estate has a very slight equity cushion. The greater weight of the evidence shows the Heimer Estate has no cushion or is now undersecured. The Court need not determine the exact amount of Debtor's equity, if any, to decide this motion. Using the estimates of the Heimer Estate's expert witness—which showed the highest credible value for the collateral—the expert provided a maximum value in the range of $22,000 to $23,000. It is undisputed the value of the Heimer Estate's secured claim was $21,299.79 as of the date of the petition. The evidence at the hearing showed that with the accrual of interest the secured claim now exceeds $23,000. Using those figures, Debtor has no equity in the vehicle and the Heimer Estate has no equity cushion. If there is any equity remaining, it is below even 10% and far from the 20% level noted by many cases as an acceptable equity cushion. *E.g., In re JER/Jameson Mezz Borrower II, LLC,* 461 B.R. at 305–06. In addition, both parties agree the value of the vehicle has declined and is continuing to decline. Thus, even at the highest price the credible evidence supports, the car is simply not worth enough to adequately protect the creditor's interest-especially in light of the declining value.

***5** Debtors have failed to show the Heimer Estate is adequately protected. To the extent the Heimer Estate seeks to pursue its state law remedies, the request to lift the automatic stay under § 362(d) is granted. To the extent it requests further relief or direction from the Court, that request is denied.

A creditor's motion for the bankruptcy court to lift the automatic stay is not a request for an adjudication of rights; rather, it is a request that the bankruptcy court allow the creditor to pursue its remedies under state law. *Mullarkey v. Tamboer (In re Mullarkey),* 536 F.3d 215, 226–27 (3d Cir.2008). "The hearing for relief from stay is meant to be a summary proceeding.... [I]t is a contested matter, rather than an adversary proceeding." *Id.* at 226 (citations omitted). Therefore, " 'the hearing on a motion to lift the stay is not a proceeding for determining the merits of the underlying substantive claims, defenses, or counterclaims.' " *Id.* at 226–27 (quoting *Grella v. Salem Five Cent Sav. Bank,* 42 F.3d 26, 33 (1st Cir.1994)). [2] Due to the nature of this proceeding, this Court does not reach the question of what remedies are available to the parties under state law.

Debtors raised a number of arguments in the hearing and post-hearing brief that were not raised in their Resistance to the Motion for Relief from Stay. Debtors suggested that the Heimer Estate violated the automatic stay through its refusal to return the vehicle to the bankruptcy estate and or to the Debtors. Debtors also claim to be entitled to possession of the vehicle. The Court expressed skepticism at the hearing whether these issues were properly raised in pleading or presented for adjudication. The Court further notes these issues do not address or otherwise contest Creditor's motion as they do not relate to the question of adequate protection.

The Debtors specifically requested in post-hearing briefing that "the Court take into account the *likelihood* of a return of property proceeding, a request for sanctions for violating Automatic Stay [sic] and Discharge Injunction, a successful lien avoidance adversary proceeding ...." and other matters. (ECF Doc. No. 70, at 4.) (emphasis added). The Court does not and cannot take threatened or even likely future action into account in ruling on a pending motion. The matters have not been raised as part of this proceeding—and are really only appropriately raised by separate motion. If properly raised, the Court will address them at that time.

The Court does, however, wish to address one matter related to these issues. Counsel for the Heimer Estate has responded to the above arguments by suggesting they are non-sensical, would be frivolous, and counsel for the Debtors would be exposing himself to sanctions for raising such arguments. The Court previously expressed disagreement with that type of characterization of Debtor's arguments—and does so again here. The Court holds only that these issues have not been raised to date—and if raised they will be addressed in full at that time.

CONCLUSION

***6** Section 362(d)(1) of the Bankruptcy Code requires the Court to lift the stay when the creditor is inadequately protected. Debtors have the burden to show the Heimer Estate is adequately protected and failed to meet their burden. The request to lift the automatic stay under § 362(d) is granted.

WHEREFORE, the Estate of Leon Jerome Heimer's Motion to Lift Automatic Stay (ECF Doc. No. 19.) is **GRANTED** on the terms set forth above.

All Citations

Not Reported in B.R., 2012 WL 4737372

Footnotes

1 The Carters applied $400.00 of their combined exemption to another vehicle.

2 Other Circuit Courts have reached the same conclusion. *See Estate Constr. Co. v. Miller & Smith Holding Co., Inc.,* 14 F.3d 213, 219 (4th Cir.1994); *In re Vitreous Steel Prods. Co.,* 911 F .2d 1223, 1230–32 (7th Cir.1990); *Johnson v. Righetti (In re Johnson),* 756 F.2d 738, 740 (9th Cir.1985), *cert. denied,* 474 U.S. 828, 106 S.Ct. 88, 88 L.Ed.2d 72 (1985); *Nat'l Westminster Bank, U.S.A. v. Ross,* 130 B.R. 656, 658 (Bankr.S.D.N.Y.1991), *aff'd,* 962 F.2d 1 (2d Cir.1991).

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Appendix II

C

2005 WL 2589201
United States Bankruptcy Court,
E.D. Pennsylvania.

In re PLYMOUTH HOUSE HEALTH CARE CENTER, et al., Debtors.

No. 03–19135.
|
filed June 13, 2003.
|
Plan confirmed June 15, 2004.
|
March 15, 2005.
|
last filing Sept. 14, 2005.

Attorneys and Law Firms

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MEMORANDUM

FOX, Bankruptcy J.

***1** Healthcare Business Credit Corporation (referred to by the parties as "HBCC") has filed a motion seeking the allowance and payment of fees and costs pursuant to section 506(b) of the Bankruptcy Code and section 5.3(b) of the debtors' confirmed plan. These fees and costs were incurred by HBCC's counsel in representing this creditor during the pre-confirmation phase of the chapter 11 bankruptcy case. A "plan administrator," Mr. Sean P. Porrini, who has been appointed pursuant to the terms of the debtors' confirmed plan, has filed an objection to the payment of these fees costs under section 506(b). In essence, the plan administrator contends that HBCC is an undersecured creditor, and therefore is not entitled to the allowance requested. [1]

A hearing was held on the motion and the objection, and the facts are not at issue. Furthermore, each party has submitted a supporting legal memorandum. The undisputed facts may be summarized as follows.

I.

The debtors in this case are Plymouth House Health Center L.L.C. ("Plymouth"), Chateau Senior Care, L.L.C. ("Chateau"), Church Lane Senior Care, L.L.C. ("Church Lane"), Julia Ribaudo Senior Care, L.C.C.

("Julia Ribaudo"), Mill Hill Senior Care, L.L.C. ("Mill Hill") and Winthrop House Senior Care, L.L.C. ("Winthrop"). At the time of their separate bankruptcy filings in June 2003, these debtors operated various nursing home facilities, except for Mill Hill. Ultimately, these separate cases were jointly administrated and a consolidated chapter 11 plan was approved. [2]

SouthTrust Bank ("SouthTrust") loaned the debtors money during the course of their nursing home operations. As of the date of their bankruptcy filings, these debtors owed SouthTrust approximately $22.9 million. Ex. PA–1. SouthTrust filed UCC Financing Statements to perfect its security interests in the debtors' assets on August 20, 2001 for Chateau, Church Lane, Julia Ribaudo and Plymouth House. *See* Ex. HBCC–10. The UCC Financing Statements for Mill House and Winthrop were filed on September 23, 2002 and September 9, 2002 respectively. *Id.*

The financing statements are the same for each debtor, except for the identifying information. These financing statements disclose that SouthTrust has a security interest in:

> all of Debtor's right, title and interest in and to all Improvements, Equipment, Rents, Accounts, Health Care Insurance Receivables, Instruments, General Intangibles, Inventory, Money and (to the fullest extent assignable) Permits and Reimbursement Contracts, whether now owned to or hereafter at any time acquired, and including all replacements, additions, accessions and substitutions thereto; provided however, that with respect to any items which are leased and not owned by Debtor, the term "Collateral" includes the leasehold interest only of Debtor together with any options to purchase any of said items and any additional or greater rights with respect to such items which Debtor may hereafter acquire, together with all Proceeds of any of the foregoing Collateral.

***2** *Id.*

Subsequently, the debtors (along with IFIDA Health Care Group, Ltd.) entered into a loan and security agreement with HBCC on September 11, 2001. Ex. HBCC–1. Under the terms of this agreement, HBCC made available to the debtors $4 million in revolving loans, taking a security interest in their assets. *Id.* This agreement was later amended five times between March 6, 2002 and March 14, 2003. *Id.*

On September 14, 2001, HBCC filed UCC financing statements for all of the debtors. Ex. HBCC–3. [3] These statements acknowledge that a security interest exists in the same collateral as the SouthTrust loan, and describe that collateral as:

> All accounts and health-care insurance receivables (including without limitation the accounts) of such Debtor, whether now existing or hereafter arising or acquired; (ii) All contract rights, instruments, chattel paper, remedies, guarantees, and collateral evidencing, securing or otherwise relating to such accounts, including, without limitation all rights of enforcement and collection, now existing or hereafter acquired; (iii) All Commercial Lockboxes, all Government Lockboxes, all Collection Accounts and other accounts into which any of the Collections are deposited ... (iv) All books and records of such Debtor evidencing or relating to such accounts; (v) All information and data complied or derived by such Debtor with respect or such accounts ... and (vi) All collections, receipts and other proceeds (cash and non-cash) derived from any of the foregoing.
>
> *Id.*

In addition to its loan agreement with the debtors, HBCC entered into a subordination agreement with SouthTrust. SouthTrust agreed to subordinate its collateral interest to HBCC according to the following terms:

> Priorities
>
> HBCC and SouthTrust agree that, except as provided in Section 2.2 below, at all times, whether before, during or after the pendency of any bankruptcy, reorganization or other insolvency proceeding, and notwithstanding the priorities that ordinarily would result under the Uniform Commercial Code as enacted in each and every applicable jurisdiction, as amended from time to time ("UCC"), and other applicable law for the

> order of granting or perfecting of any security interests referred to herein, *HBCC shall have a first and prior security interest in, upon and to the HBCC Collateral, and South Trust does hereby subordinate its security interest in to and to the HBCC Collateral to HBCC's security interest in and to the HBCC Collateral; provided, however, that* if HBCC allows any UCC filing or other method of perfection to lapse such that an intervening creditor subordinate to SouthTrust shall have priority over HBCC, nothing herein is intended to or shall be construed as a subordination by SouthTrust to such other creditor.

Ex. HBCC–1, ¶ 2.1 (emphasis added). [4]

The subordination agreement also stated that the "substantive" laws of the State of New Jersey shall govern "without regard to principles of conflicts of laws of such State." *See* Ex. HBCC–1, ¶ 3.9. Moreover, the subordination agreement was acknowledged by all the debtors. Ex. HBCC–1.

***3** At the time of the debtors' bankruptcy filing, it appears uncontested that HBCC was owed approximately $4.2 million dollars. *See* Ex. PA–1. Furthermore, for purposes the instant contested matter, it is also agreed that collateral securing both HBCC's loan and SouthTrust's loan—*i.e.,* the accounts receivables—had a face value of $8,151,776.23 as of the petition date, with $6,456,776 .23 currently collectible. *See* Ex. PA–1. Thus, both parties agree that the value of this collateral exceeds the amount owed to HBCC, but is far less than the $22.9 million owed to SouthTrust. *See* N .T. at 20–21, 25.

HBCC and the plan administrator also emphasize a particular provision of the debtors' joint confirmed plan. This plan stated in ¶ 5.3, when addressing HBCC's secured claim:

> (b) *Allowance.* On the Effective Date, HBCC shall be conclusively deemed to hold an Allowed Secured Claim in the amount of (a) the principal and accrued non-default rate interest outstanding immediately prior to the Effective Date under its loan documents, and (b) the amount of HBCC's fees and costs incurred in connection with this case allowed by order of the Bankruptcy Court under the provisions of 506(b) of the Bankruptcy Code but not in excess of $150,000 (even if the fees and costs actually incurred by HBCC exceed such amount) or such other amount as agreed by the Plan Administrator, the Debtors, and HBCC. HBCC shall file a motion with the Bankruptyc [sic] Court requesting advance of fees and costs under Seciton [sic] 506(b) within thirty (30) days of the Effective Date. Any party including the Debtors, the Plan Administrator and/or the Liquidating Trustee may oppose the allowance of HBCC's fees under Section 506(b).

Ex. HBCC–9, ¶ 5.3(b). Indeed, the plan administrator acknowledges that "[u]nder the Debtors' Plan, $150,000 is being held in escrow and will be paid to HBCC if HBCC's 506(b) claim is allowed." Objection, ¶ 10.

The debtors' disclosure statement contained this provision involving section 506(b) and HBCC:

> Under the Plan, HBCC's claim against the Debtors will be conclusively deemed to be an allowed claim in the amount of the outstanding principal and accrued non-default interest immediately prior to the Effective Date (together with costs and charges in the amount agreed to by the Debtors and HBCC or, in the absence of agreement, as determined by the Court under section 506(b) of the Bankruptcy Code).

See Ex. HBCC–8, at 37–38.

Thus, the debtors' confirmed plan authorized the payment of post-bankruptcy interest to HBCC, which the plan administrator did not contest. The plan also capped the fees HBCC could seek under section 506(b) at $150,000. Thus, even though HBCC's motion specifies $257,256.64 in costs and fees, Ex. HBCC–6, this creditor has limited its requested allowance to the aforementioned ceiling.

The plan administrator has now objected to the payment of these fees and costs, even at the capped amount, arguing that HBCC is not "oversecured" under section 506(b). HBCC argues to the contrary, and alternatively maintains that the plan administrator is estopped from so objecting, in light of the terms of the above-quoted confirmed plan, the disclosure statement and other documents, as well as the previous unchallenged payment of postpetition interest.

***4** As a result, there are two questions issues by these parties in this contested matter: whether HBCC, in light of SouthTrust's subordination agreement, is an oversecured creditor entitled to reimbursement of costs and fees under section 506(b) of the Bankruptcy Code; and, if not, whether the plan administrator is now estopped from objecting to the instant 506(b) allowance.[5] (As I construe the plan administrator's objection, however, he does not challenge the reasonableness of the $150,000 now demanded by HBCC.)

If either issue is resolved in favor of the movant, its motion should be granted and the escrowed funds paid to HBCC. Alternatively, if both questions are answered negatively, the plan administrator asserts that SouthTrust has been paid in full under the terms of the confirmed plan. If so, then the escrowed funds would be payable to general unsecured creditors and not to HBCC.

I first consider whether HBCC is an oversecured creditor entitled to an allowance under section 506(b).

II.

A.

HBBC bases its request for allowance of counsel fees under 11 U.S .C. § 506(b). This subsection provides:

> To the extent that an allowed secured claim is secured by property the value of which, after any recover under subsection (c) of this section, is greater than the amount of such claim, there shall be allowed to the holder of such claim, interest on such claim, and any reasonable fees, costs, or charges provided for under the agreement under which such claim arose.

Therefore, the statute provides that only an oversecured creditor is entitled to post-bankruptcy interest, attorney's fees and costs. *See, e.g., United Savings Assn. of Texas v. Timbers of Inwood Forest Associates, Ltd.,* 484 U.S. 365, 372–73 (1988); *In re F.B.F. Industries, Inc.,* 1995 WL 581935, at *1 (E.D.Pa.1995). Moreover, such fees and costs can only be awarded if provided for in the loan or security agreements. *See In re Auto Specialties Mfg. Co.,* 18 F.3d 358, 360 (6th Cir.1994).[6]

As noted by one treatise, section 506(b) was meant to codify " 'current law by entitling a creditor with an oversecured claim to any reasonable fees, costs or charges provided under the agreement under which the claim arose. These fees, costs, and charges are secured claims to the extent that the value of the collateral exceeds the amount of the underlying claim." ' 4 *Collier on Bankruptcy* ¶ 506.LH[3] (15th ed. rev.2004) (quoting H.R.Rep. No. 595, 95th Cong., 1st Sess. 356–357 (1977)); *see also In re United Merchants and Manufacturers, Inc.,* 674 F.2d 134, 138 (2d Cir.1982) ("Section 506(b), however, merely codifies pre-Code law that an oversecured creditor can assert, as part of its secured claim, its right to interest and costs arising under its credit agreement.").

A creditor is considered oversecured by section 506(b) only "to the extent that the value of [its] interest in the estate's interest in property is greater than the amount of the creditor's allowed prepetition claim." 4 *Collier on Bankruptcy* ¶ 506.04[1], at 506–102 (15th ed. rev.2004). Therefore, "[u]nder this provision, an oversecured creditor is entitled to postpetition interest on its claim only 'to the extent that such interest, when added to the principal amount of the claim,' does not 'exceed the value of the collateral." ' *Rake v. Wade,* 508 U.S. 464, 468 n. 4 (1993) (quoting *United Savings Assn. of Texas v. Timbers of Inwood Forest Associates, Ltd.,* 484 U.S. at 372).

***5** The general rule in bankruptcy is that "interest on the debtors' obligations ceases to accrue at the beginning of proceedings." *Vanston Bondholders Protective Committee v. Green,* 329 U.S. 156, 163 (1946).[7] Accordingly, no postpetition interest accrues upon unsecured claims or, in light of section 506(b), upon undersecured claims. *See United Savings. Ass'n v. Timbers of Inwood Forest,*

484 U.S. at 372–73 ("Since this provision [506(b)] permits postpetition interest to be paid only out of the 'security cushion,' the undersecured creditor, who has no such cushion, falls within the general rule disallowing postpetition interest."). [8]

Likewise, an unsecured creditor or an undersecured creditor is not entitled to recover postpetition fees and costs arising from his claim. *See, e.g., In re Loewen Group International, Inc.,* 274 B.R. 427, 444 (Bankr.D.Del.2002) ("[L]ike post-petition interest, post-petition fees and costs may only be recovered by creditors to the extent their claims are oversecured."); *In re Woodmere Investors Ltd. Partnership,* 178 B.R. 346, 356 (Bankr.S.D.N.Y.1995) ("If no 'security cushion' exists to allow for post-petition interest, none exists for the allowance of attorney fees and costs."); *In re Saunders,* 130 B.R. 208, 214 (Bankr.W.D.Va.1991) ("An undersecured or unsecured creditor cannot recover contractual attorneys' fees for work performed postpetition.").

Accordingly, for HBCC to prevail upon its present request for an award of post-bankruptcy counsel fees, it must demonstrate that it is oversecured. *See generally In re McCoy,* 163 B.R. 206, 211–12 (Bankr.M.D.Fla.1994). As previously noted, while the plan administrator has not challenged the payment of postpetition interest to HBCC as part of the debtors' confirmed plan, [9] he now contests that HBCC is an oversecured creditor.

As earlier mentioned, a creditor is oversecured only if its interest in the value of its collateral exceeds the amount of its debt. *See, e.g., Farmers Home Admin. v. Farmers State Bank of Hosmer,* 68 B.R. 282, 285 (D.S.D.1986) ("An oversecured creditor is a holder of an allowed secured claim which is secured by collateral of greater value than the allowed secured claim.") A creditor's interest in collateral, and so its oversecured status, is affected by the existence of prior liens. *See generally In re Indian Palms Associates, Ltd.,* 61 F.3d 197 (3d Cir.1995).

Based upon the evidentiary record, HBBC contends that it holds a first lien position in the collateral, *viz.,* the receivables, and that the value of this collateral exceeds its allowed claim. The plan administrator counters that SouthTrust holds the first lien position, and that the value of the collateral is less than the amount owed to SouthTrust. If so, then HBBC is not an oversecured creditor. *See In re Morgan,* 225 B.R. 309, 311–12 (Bankr.E.D.Pa.1998).

As discussed above, there is no dispute regarding the value of the collateral, or the amounts owed to HBCC and SouthTrust. Therefore, this contested matter arises because the parties take opposing views regarding the effect of the subordination agreement upon HBCC's lien position. HBCC contends that the subordination agreement with SouthTrust resulted in the former replacing the latter as first lien holder of the debtors' assets. In contrast, the plan administrator maintains that the subordination agreement does not change the first lien position of SouthTrust for purpose of section 506(b). In the view of the objector, SouthTrust remained in the first lien position, but this creditor became contractually obligated under the subordination agreement to pay over any funds it would receive, up to the amount of HBCC's claim.

B.

***6** In addressing their differing interpretations concerning the effect of the subordination agreement upon the application of section 506(b), both parties are aware of 11 U.S.C. § 510(a), which states: "A subordination agreement is enforceable in a case under this title to the same extent that such agreement is enforceable under applicable nonbankruptcy law." [10] Thus, non-bankruptcy law, typically state law, would govern any dispute concerning the enforceability of a subordination agreement. *See In re Southeast Banking Corp.,* 156 F.3d 1114, 1121 (11th Cir.1998).

As quoted earlier, the subordination agreement involving HBCC and SouthTrust made reference to the substantive law of New Jersey. New Jersey has adopted the revised version of Article 9 of the Uniform Commercial Code, which simply provides that "[t]his chapter does not preclude subordination by agreement by a person entitled to priority." N.J.S.A. 12A: 9–339 (effective July 1, 2001). [11]

The plan administrator relies heavily upon *In re Smith,* 77 B.R. 624 (Bankr.N.D.Ohio 1987) for his contention concerning the effect of a subordination agreement. In *Smith,* Farmers Citizens Bank entered into a subordination agreement in favor of the FmHA. The

loan made by the bank was secured, but the loan made by the FmHA was unsecured. *Id.*, at 627 ("In the present case, the Bank is a secured creditor and FmHA is an unsecured creditor.")

The bank and the FmHA were each claiming entitlement to the proceeds of the bank's collateral. The *Smith* bankruptcy court applied the subordination agreement in the following manner:

> Although there has not been a great deal of litigation in this area, it appears that a subordination agreement between a secured creditor and an unsecured creditor may be given effect in the following manner. Under nonbankruptcy law, a subordination agreement may not adversely affect the rights of a creditor who is not a party to the agreement.... Thus, under § 510(a) the subordination of a secured claim may not impair the rights of the other creditors. Essentially, this is accomplished by the exchange of priorities between the parties to the agreement. The amount to be paid to the party subordinating its claim (the Bank) is determined without reference to the subordination agreement. That amount is then paid to the beneficiary of the subordination agreement (FmHA) to the extent of its valid interest through the subordination agreement, with any remaining balance going to the subordinating creditor (the Bank). The subordinating creditor then receives a claim with the same priority enjoyed by the beneficiary of the agreement, to the extent of the amount paid to the beneficiary.

Id. at 627 (citations omitted).

Other courts, however, have described the effect of a subordination agreement in different terms. For example, in *In re Lunan Family Restaurants,* 194 B.R. 429, 444 (Bankr.N.D.Ill.1996), the court quoted approvingly the following explanation:

> ***7** "By executing a lien subordination agreement, the subordinating party agrees to demote the priority of its lien to that of another secured creditor, thereby delaying its recourse to the identified collateral until the other party's secured claim has been satisfied."

(quoting *In re Lantana Motel,* 124 B.R. 252, 256 (Bankr.S.D.Ohio 1990)); *see also In re Bank of New England Corp.,* 364 F.3d at 361 ("[S]ubordination alters the normal priority of the junior creditor's claim so that it becomes eligible to receive a distribution only after the claims of the senior creditor have been satisfied."); *In re Tri–Union Development Corp.,* 314 B.R. 611, 627 (Bankr.S.D.Tex.2004) ("Subordination is the ordering of priority of debts between creditors."); *In re Curtis Center L.P.,* 192 B.R. 648, 659 (Bankr.E.D.Pa.1996) (the subordination agreement rendered the subordinating creditor's claim unsecured, because the value of the collateral was less than the amount due the new senior lienholder).

This difference in approach may be explained by observing that "subordination agreements may be generally classified as being one of two types: debt subordinations or property interest subordinations." *In re Lantana Motel,* 124 B.R. at 255.

> In a debt subordination, the agreement provides that the subordinated creditor's right to payment and collection will be subordinate to the rights of another claimant. If the debt subordination is "complete," the subordinated creditor is barred from receiving payments until the superior debt is paid in full.
>
> Debt subordination should be contrasted to property interest subordination. In a property interest subordination, the agreement affects only the relative rights of parties in particular real or personal property. Property interest subordination does not concern any rights the parties may have to receive payments.
>
> The most common type of property interest subordination is lien subordination. By executing a lien subordination agreement, the subordinating party

agrees to demote the priority of its lien to that of another secured creditor, thereby delaying its recourse to the identified collateral until the other party's secured claim has been satisfied.

Id., at 255–56; *accord In re Environmental Aspecs, Inc.,* 235 B.R. 378, 396 n. 6 (E.D.N.C.1999):

> The *Lantana* court explained the difference between a debt subordination and a property interest subordination. In the former, the agreement "provides that the subordinated creditor's right to payment and collection will be subordinate to the rights of another claimant ... [and] the subordinated creditor is barred from receiving payments until the superior debt is paid in full." *Id.* at 255–256. In a property interest subordination, "the subordinating party agrees to demote the priority of its lien to that of another secured creditor, thereby delaying its recourse to the identified collateral until the other party's secured claim has been satisfied." Id. at 256. A property interest subordination does not limit the subordinated party's right to receive payments. *Id.* Although EAI of NC's agreements with both AAL (1996) and SouthTrust (1997) in this case essentially constituted restructuring of prior obligations and thus required regular payments by the debtors to the creditors, the subordination agreement at issue in this case is in the nature of a property interest subordination.

***8** With the distinction between the two types of subordination agreements in mind, the differing constructions of *Smith* and *Lunan* become understandable. *Smith* was describing the effect of a "debt subordination"; *Lunan* was explaining the effect of a "property interest subordination."

Moreover, in *Smith,* since only one party to the subordination agreement held a security interest, the parties in that case could only have entered into a debt subordination. In the instant contested matter, however, the above-quoted language of the subordination agreement between HBCC and SouthTrust clearly describes a property interest subordination, whereby HBCC would hold the first lien position on collateral and SouthTrust a second position. This type of agreement is permitted under New Jersey law. *See generally Metrobank for Sav., FSB v. National Community Bank of New Jersey,* 262 N.J.Super. 133, 140 (1993). Indeed, the New Jersey Superior Court defined a subordination agreement in the following property interest terms:

> Black's Law Dictionary, 1279 (5th ed.1979) defines subordination agreement as an "agreement by which the subordinating party agrees that its interest in real property should have a lower priority than the interest to which it is being subordinated." Thus, a subordination agreement is an agreement to accept a lower priority for a lien than would otherwise be due. See 29 *New Jersey Practice, Law of Mortgages,* § 115, at 535–40 (Roger A. Cunningham & Saul Tischler) (1975) (describing priority as affected by subordination agreements).

Id., at 140; *see also* 29 *New Jersey Practice' Law of Mortgages,* § 3.29 (2d ed. 2004) (Subordination agreements "have the effect of altering the priority of interest in, or liens upon, realty.").

Therefore, I disagree with the plan administrator's contention that the subordination agreement did not effect a transposition of the respective lien positions of HBCC and SouthTrust for purposes of applying section 506(b). *See generally In re Chance Industries, Inc.,* 2002 WL 32653679, at *3 (Bankr.D.Kan.2002) ("all interested parties agreed that FFI [in whose favor there was a subordination agreement] was amply secured and likely oversecured."). Furthermore, this reordering of lien priority in estate property is consistent with decisions construing subordination agreements on issues of adequate protection under section 362(d)(1), *see In re American Sweeteners, Inc.,* 1999 WL 1068446 (Bankr.E.D.Pa.1999); *In re Curtis Center Limited Partnership,* 192 B.R. 648 (Bankr.E.D.Pa.1996); *In the Matter of Village Rathskeller, Inc.,* 147 B.R. 665, 672–73 (Bankr.S.D.N.Y.1992); *In re Nashua Trust Co.,* 73 B.R. 423, 426, 429–430 (Bankr.D.N.J.1987), and lien avoidance under section 506(d). *See In the Matter of Folendore,* 862 F.2d 1537, 1538 (11th Cir.1989) ("Due to Subordination Agreements and prior filings, the liens of the Federal Land Bank and Central Georgia Production Credit Association are superior to the lien of the United States Small Business Association."); *In re Mihalko,* 87 B.R. 357 (Bankr.E.D.Pa.1988) (subordination agreement between the parties changes their relative lien positions; therefore a lien held by the creditor benefitted by the agreement can not be avoided under § 506(d)). [12]

III.

***9** Finally, the objector complains that if the effect of the subordination agreement were to allow HBCC to be treated as an oversecured creditor for purposes of section 506(b), unsecured creditors in this case will receive a smaller dividend. He observes that, absent the subordination agreement, SouthTrust would be in first lien position, and SouthTrust would be an undersecured creditor not be entitled to an allowance of fees under section 506(b). Since it is generally accepted that "the enforcement of subordination agreements between creditors of the same bankrupt[ ] affects only their rights and does not interfere with or change the rights of other creditors", *In re Wyse,* 340 F.2d 719, 723 (6th Cir.1965), and since the $150,000 escrow fund would be payable to unsecured creditors if HBCC's motion were denied, the plan administrator reasons that the result sought by HBCC in this contested matter must be improper.

Of course, any potential distribution in this dispute to general unsecured creditors of the escrowed funds arises more from the terms of the consensual confirmed plan, as it dealt with SouthTrust's secured claim, than from construction of the Bankruptcy Code. Typically, an undersecured creditor, *e.g.,* SouthTrust, would receive all of the proceeds of its collateral. Thus, the dispute in this instance is uncommon.

More fundamentally, however, the plan administrator ignores the benefit to creditors that generally follow from subordination agreements. Thus, the rights of unsecured creditors were not adversely affected by the HBCC/SouthTrust subordination agreement at issue in this contested matter.

A debtor may enter into pre-bankruptcy agreements with creditors that ultimately reduce the dividend to unsecured creditors in a subsequent bankruptcy case without impairing their rights. For example, a corporation can borrow funds from a lender and secure the loan using unencumbered corporate assets as collateral. Presumably, the loan proceeds will benefit the corporate borrower and its other creditors. The transaction would not be avoidable as a preference or fraudulent conveyance in a subsequent bankruptcy case commenced by the borrower (unless, perhaps, there was a marked disparity between the loan proceeds and the value of the security interest).

In other words, the debtor's estate received adequate consideration for the grant of the security interest. The rights of unsecured creditors were not diminished by this prepetition loan. That unsecured creditors may receive a smaller distribution in a subsequent bankruptcy case because these assets are now encumbered is no ground, by itself, to invalidate the security interest. Nor would it be a basis to deny the secured creditor an allowance under section 506(b), if the creditor so qualified.

Similarly, subordination agreements often arise because the corporate debtor needs additional funds and seeks to borrow them. The original lender either cannot or will not provide the needed cash; the second lender will only do so if its risk of non-payment is reduced. Thereupon, if the original lender agrees to subordinate its claim (for reasons involving its own self-interest), the debtor can obtain the additional funds it requires. *See generally In re Lantana Motel, L.P.,* 124 B.R. at 255–56. Use of these loan proceeds are designed to benefit the debtor's operations and, indirectly, its general creditors. Again, absent concerns addressed by the preference and fraudulent conveyance provisions, the Bankruptcy Code will uphold a valid prepetition subordination agreement, *see* 11 U.S.C. § 510(a), and will accord the two creditor parties to the subordination agreement the relief to which they are entitled under the statute. [13]

***10** In sum, HBCC's statutory entitlement to fees and interest as an oversecured creditor, pursuant to 11 U.S.C. § 506(b), is a component of the consideration it received for lending $4 million to the debtors in September 2001. It conditioned this loan upon priming South Trust's lien. Had it not lent these funds, unsecured creditors of these debtors could possibly have faired worse than they did under the terms of the confirmed plan. Thus, the enforcement of the subordination agreement made in September 2001, and which now permits the allowance of fees under section 506(b), does not impair the rights of unsecured creditors. It may, under these particular facts, diminish their dividend from the bankruptcy estate, but not their rights as creditors of these debtors.

Accordingly, an order shall be entered allowing HBCC's fees and costs under section 506(b) in the amount of $150,000, and authorizing the plan administrator to disburse the funds currently held in escrow for this purpose.

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ORDER

AND NOW, this 15th day of March 2005, for the reasons stated in the accompanying memorandum, it is hereby ordered that the motion of Healthcare Business Credit Corporation for an allowance of costs and fees, pursuant to 11 U.S.C. § 506(b), in the amount of $150,000 is granted, and the objection of the plan administrator is overruled. The plan administrator is authorized to distribute the escrowed funds to HBCC forthwith.

All Citations

Not Reported in B.R., 2005 WL 2589201, 44 Bankr.Ct.Dec. 118

Footnotes

1 In light of my forthcoming analysis of section 506(b), I shall assume, without deciding, that this objection was filed solely by the plan administrator, although the pleading itself creates some doubt on this point. The objection is titled as having been made by the debtors, but states in the body that it was filed by the "Plan Administrator ... on behalf of the above debtors and their estates...." The objection is signed by the "Attorneys for the Debtors and Debtors–in–Possession." The certificate of service for this objection is submitted by "counsel for the Debtors" and refers to the "Objection of the Debtors" to HBCC's motion. The memorandum of law, though, is styled: "The Plan Administrator's Reply Memorandum in Opposition to the Allowance of HBCC's Fees and Costs Under 506(b) of the Code." This memorandum is signed by counsel for the Plan Administator.

Due to the judicial estoppel issue asserted by HBCC, the identity of the objector could have been material. The concept of judicial estoppel "precludes a party from asserting a position in one legal proceeding which is contrary to a position it has already asserted in another." *Patriot Cinemas, Inc. v. Central Cinema Corp.,* 834 F.2d 208, 212 (1st Cir.1987). Thus, judicial estoppel only arises when inconsistent positions are taken by the same party, not different parties. *See In re Allegheny Intern., Inc.,* 131 B.R. 24, 31 (W.D.Pa.1991).

Under the terms of the debtors' confirmed plan, the plan administrator was chosen at confirmation "by the Debtors with the advice of the [Official Creditors'] Committee, HBCC and SouthTrust...." Ex. HBCC–9, ¶¶ 1.55, 6.12. The plan administrator was authorized by the confirmed plan to "prosecute objections to Claims and Requests." *Id.,* at ¶ 6.17(f). He was also empowered to object to administrative expenses, *id.,* at ¶ 12.1, and to engage counsel. *Id.,* at ¶ 6.17. The person chosen as plan administrator, however, was the former chief financial officer of the debtors, Ex. PA–1, who appears to have retained debtors' bankruptcy counsel. In addition, the debtors, as well as the plan administrator, were authorized in ¶ 5.3(b) of the plan to object to HBCC's fee request; although the extent of the permitted objection is now debated by these parties.

In some instances, a plan administrator may not be viewed as the same entity as the former chapter 11 debtor. *See In re Submicron Systems Corp.,* 2004 WL 883391, at *3 (D.Del.2004) (knowledge of the chapter 11 debtor was not attributed to the plan administrator); *In re LaBrum & Doak, LLP,* 237 B.R. 275, 298–99 (Bankr.E.D.Pa.1999) (plan administrator was a distinct entity from a prepetition debtor for purposes of claim preclusion). Given my conclusion, discussed below, that HBCC was an oversecured creditor entitled to an allowance under section 506(b), I need not determine in this contested matter whether the chapter 11 debtors and the plan administrator should be considered the same party for purposes of judicial estoppel, or whether the debtors are the actual objecting parties.

2 I take judicial notice, under Fed.R.Evid. 201 (incorporated into bankruptcy cases by Bankr.R. 9017), of the docket entries of this proceeding. *See Maritime Electric Co., Inc. v. United Jersey Bank,* 959 F.2d 1194, 1200 n. 3 (3d Cir.1991); *Levine v. Egidi,* 1993 WL 69146, at *2 (N.D.Ill.1993); *In re Paolino,* 1991 WL 284107, at *12 n. 19 (Bankr.E.D.Pa.1991); *see generally In re Indian Palms Associates, Ltd.,* 61 F.3d 197 (3d Cir.1995).

3 The filing of the statements on this date would make HBCC "first-in-time" as to the assets of Mill House and Winthrop, but not as to the others. In his objection, the plan administrator contends that application of section 506(b) requires that the entire obligation owed to HBCC be applied to the value of only the Mill House and Winthrop collateral. Objection, at 6 n. 1. Although I do not find this position intuitive, *see, e.g., In re Colonial Center, Inc.,* 156 B.R. 452, 461–62 (Bankr.E.D.Pa.1993); *In re Mihalko,* 87 B.R. 357, 363 (Bankr.E.D.Pa.1988); *In re Panas,* 68 B.R. 421 (Bankr.E.D.Pa.1986), I need not now consider that position.

4 Section 2.2 of the subordination agreement provided that, if there were a default by the debtors in repaying SouthTrust, SouthTrust could send notice to HBCC and SouthTrust would then have a first lien position on collateral that "accrues

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or arises from and after" forty-five days after notice was sent. The primacy of HBCC's lien, however, remained in all collateral that existed prior to that forty-five day period. Ex. HBCC–1, ¶ 2.2. There is no suggestion that any assets of the debtor involved collateral covered by this provision of the subordination agreement.

In addition, section 3.3 states "[e]ach financing statement of HBCC or SouthTrust that includes any HBCC Collateral will be amended to include, and each new financing statement hereafter filed by either of them with respect to the HBCC Collateral will include, a statement that it is subject to the terms of this Subordination Agreement." The objector notes that this was never done, but does not identify any effect caused by this omission upon the outcome of this dispute.

5 In its supporting memorandum, HBCC asserts that the application of judicial estoppel is appropriate, arguing that the debtors' bankruptcy schedules, prior pleadings, prior cash collateral orders, disclosure statement, confirmed plan and payment of postpetition interest "all provide and/or strongly infer that HBCC holds a first priority lien in the HBCC Collateral and that HBCC is oversecured. The Debtors' Objection puts them in direct conflict with prior conduct and is a bad faith attempt to deny HBCC the attorneys' fees it is warranted." HBCC Memorandum, at 13. This creditor also relies upon the same documents in contending that the objector is equitably estopped, or has waived his right to object. *Id.,* at 14–19. In asserting these estoppel and waiver arguments, HBCC suggests that it may not have voted in favor of and consented to the debtors' proposed chapter 11 plan if it had understood that there could be a challenge to its entitlement to an allowance under section 506(b), except as to the reasonableness of the amount. *Id.,* at 13, 16, 18.

Although I need not decide whether the plan administrator is now barred from challenging HBCC's status as an oversecured creditor, I note that HBCC assumes an identity of interest between the plan administrator and the debtors. I also observe that estoppel issues, particularly judicial estoppel issues, typically arise in bankruptcy cases from the failure of the chapter 11 debtor to disclose information, such as the existence of an asset or claim. *See, e.g., Oneida Motor Freight, Inc. v. United Jersey Bank,* 848 F.2d 414 (3d Cir.), *cert. denied,* 488 U.S. 967 (1988). Presumably, if the terms of the confirmed plan were sufficiently clear—that is, if the terms of the debtors' confirmed plan provided either for HBCC's section 506(b) allowance, or the plan administrator's right to object on the basis that the creditor was not oversecured—the binding nature of the confirmation process, *see* 11 U.S.C. § 1141(a), would supercede any prior understanding or agreement that HBCC and the debtors' might have made on this point. *See also In re Allen,* 300 F.3d 1055, 1060 (9th Cir.2002) (judicial estoppel did not bar a debtor from proposing a plan that was inconsistent with a prior agreement); *In re Envirodyne Industries, Inc.,* 183 B.R. 812, 825 (Bankr.N.D.Ill.1995) (terms of plan placed creditor on notice of debtor's claim, so judicial estoppel was inapplicable).

Thus, the more precise question posed by HBCC may not be estoppel or waiver, but the proper interpretation of section 5.3(b) of the confirmed plan. Indeed, the plan administrator views the issue as such, and expressly contends that section 5.3(b) of confirmed plan authorized his present objection. Objector's Memorandum, at 1–3. I appreciate, though, that in construing a provision of a chapter 11 plan, if it were ambiguous, one may consider other documents, such as a disclosure statement, to aid in interpretation. *See In re NVF Co.,* 309 B.R. 698, 703 (Bankr.D.Del.2004) ("At the September 23, 2003 hearing I thought that NVF's interpretation of the Plan had some appeal. However, after a thorough review of the Plan and related documents, I now conclude that a different interpretation of the Plan is plausible and more consistent with the realities of the situation."). Therefore, HBCC's reference to provisions of cash collateral orders, the approved disclosure statement, and other documents might have been germane to this dispute; however, estoppel issues are probably inapplicable. *Cf. In re Henthorn,* 2005 WL 293646 (3d Cir.2005) (non-precedential) (debtor's claim that fees were unreasonable under § 506(b) precluded by the confirmation process).

6 HBCC contends that its loan and security agreements, specifically, paragraph 9.5(a), provide that the debtors shall pay its counsel fees. *See* Ex. HBCC–1, ¶ 9.5(a), at 41. The objector does not argue to the contrary.

7 11 U.S.C. 502(b)(2) states:

> (b) Except as provided in subsections (e)(2), (f), (g), (h) and (I) of this section, if such objection to a claim is made, the court, after notice and a hearing, shall determine the amount of such claim as of the date of the filing of the petition, and shall allow such claim in lawful currency of the United States in such amount, except to the extent that—
> (2) such claim is for unmatured interest ...

8 Section 726(a)(5) creates an exception to this general rule when all creditors will be paid in full. *See, e.g. In re Coram Healthcare Corp.,* 315 B.R. 321, 343–44 (Bankr.D.Del.2004) (allowing the payment of postpetition interest to undersecured creditors before making a distribution to the equity holders).

9 The plan administrator stated the payment of postpetition interest to HBCC "only proves that the Debtors compromised on potential claims and arguments in order to get the plan confirmed, just as HBCC agreed to cap its 506(b) claim at $150,000." Plan Administrator's Reply Memorandum at 9, n. 10.

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10 Prior to the enactment of section 510(a), the Third Circuit Court of Appeals held in *In the Matter of Time Sales Finance Corp.,* 491 F.2d 841 (3d Cir.1974) that in order for a senior creditor under a subordination agreement to receive post-petition interest out of the junior creditor's bankruptcy share, the subordination agreement must expressly so state. *See also In re Kingsboro Mortgage Corp.,* 514 F.2d 400, 401 (2d Cir.1975); *In the Matter of King Resources Co.,* 385 F.Supp. 1269, 1281 (D.Colo.1974). This federal common law doctrine was known as the "Rule of Explicitness." *In re Bank of New England Corp.,* 364 F.3d 355, 362 (1st Cir.2004). Some courts have concluded that the Rule of Explicitness did not survive the enactment of section 510. *See, e.g., In re Bank of New England Corp.,* 364 F.3d at 359. In this instance, neither SouthTrust nor the plan administrator has challenged HBCC's entitlement to postpetition interest. Thus, I need not consider that issue.

11 Current U.C.C. § 9–339 is derived from former U.C.C. § 9–316.

12 A creditor who is oversecured for purposes of section 362(d) or 506(d), due to a subordination agreement, should also be oversecured for purposes of section 506(b). *See also United Steelworkers of America v. North Star Steel Co., Inc.,* 5 F.3d 39, 43 (3d Cir.1993) ("[A] statute's provisions should be read to be consistent with one another, rather than the contrary.").

13 Indeed, within a bankruptcy case, a chapter 11 debtor may seek to borrow funds postpetition, and the post-bankruptcy lender may condition such a loan upon obtaining a first lien position upon some or all of the debtor's assets pursuant to 11 U.S.C. § 364(d). The effect of this priming lien would be to subordinate any prepetition liens. *See generally In re Swedeland Development Group, Inc.,* 16 F.3d 552, 564 (3d Cir.1994). If the chapter 11 reorganization is ultimately not successful, the effect of this postpetition borrowing may result in a smaller distribution to unsecured creditors. Such a result, albeit unfortunate, does not represent a diminishment of their rights as creditors. *Cf. In re Adams Apple, Inc.,* 829 F.2d 1484, 1490 (9th Cir.1987) ("section 364(d) ... illustrates a Congressional willingness to subordinate the interests of pre-petition creditors to the goal of rehabilitation.").

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Appendix II

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2018 WL 550581
Only the Westlaw citation is currently available.
United States Bankruptcy Court,
N.D. Texas, Dallas Division.

IN RE: BAILEY TOOL & MANUFACTURING COMPANY, Debtor.

CASE NO. 16–30503–BJH
|
Signed January 23, 2018

Attorneys and Law Firms

Melissa S. Hayward, Julian Preston Vasek, Hayward & Associates PLLC, Dallas, TX, for Debtor.

Related to ECF No. 441

MEMORANDUM OPINION AND ORDER REGARDING MOTION FOR ALLOWANCE OF ADMINISTRATIVE CLAIM

Harlin DeWayne Hale, United States Bankruptcy Judge

***1** Before the Court is the Motion for Allowance of Administrative Claim [ECF No. 441][1] (the "**Motion**") filed by Comerica Bank ("**Comerica**"), requesting allowance of a $1,280,000[2] superiority administrative expense claim pursuant to 11 U.S.C. § 507(b) (the "**Diminution Claim**") against each of Bailey Tool & Manufacturing Company ("**Bailey Tool**"), Cafarelli Metals, Inc., ("**Cafarelli**"), and Hunt Hinges, Inc. ("**Hunt**" and, collectively, the "**Debtors**") for the alleged diminution in the value of its collateral during the pendency of the Debtors' bankruptcy cases.[3] Hayward & Associates, LP ("**Hayward**")[4] filed the sole objection to the Motion, alleging that Comerica is not entitled to the Diminution Claim because the value of its collateral increased during the pendency of the bankruptcy cases. The Court held an evidentiary hearing to consider the Motion on November 28, 2017 (the "**Hearing**"), and the matter is now ripe for ruling.[5]

For the reasons explained below, the Court will allow Comerica, on an interim basis, a $177,282 superpriority administrative expense claim pursuant to 11 U.S.C. § 507(b) against Bailey Tool, subject to final true-up after (1) the resolution of the of the Debtors' dispute with Republic Business Credit, LLC ("**Republic**"), discussed below, and (2) final collection or resolution of Bailey Tool's outstanding accounts receivable.

I. JURISDICTION AND VENUE

The Court has subject matter jurisdiction over the Motion under 28 U.S.C. § 1334 and the standing order of reference of the District Court for the Northern District of Texas. This matter is a core proceeding as defined under 28 U.S.C. § 157(b)(2)(A), (B), and (O), and venue is proper in this Court under 28 U.S.C. § 1408.

II. FACTUAL AND PROCEDURAL HISTORY

A. The Debtors' Prepetition Loans and Factoring Agreement

Prior to filing for bankruptcy, the Debtors were in the business of metal fabrication. On September 14, 2012, Bailey Tool executed an installment note payable to Comerica in the principal amount of $391,100.00 (as amended, the "Installment Note"). Case No. 16–30503, Proof of Claim 17–1 Exs. D and E. On March 28, 2013, the Debtors executed a promissory note payable to Comerica in the principal amount of $2,175,000.00 (as amended, the "SBA Term Note"). *Id.* Exs. A–C. Both the Installment Note and the SBA Term Note are secured by substantially all of the Debtors' assets. *Id.* Exs. F, G, and I.

***2** In 2014, the Debtors' loans with Comerica went into workout status. In an attempt to monetize their accounts receivables and generate operating funds, the Debtors each entered into an Agreement for Purchase and Sale with Republic (collectively, the "**Republic Factoring Agreements**"). To accommodate this arrangement, Comerica agreed that it would subordinate its lien on the accounts receivable that were subject to the Republic Factoring Agreements. The Debtors and Republic disagree on whether the Republic Factoring Agreements were terminated, and Republic's claim paid in full, as of the Petition Date. This disagreement, which includes allegations that Republic is withholding substantial funds that are property of the estate, is the subject of an adversary proceeding currently pending before the Court. *See Bailey Tool & Manufacturing Co.*

v. Republic Business Credit, LLC, Adv. Proc. No 16–3025 (the "**Republic Adversary Proceeding**").

B. The Debtors' Bankruptcy Cases

On February 1, 2016 (the "Petition Date"), the Debtors each filed a voluntary petition for relief under Chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101 et seq. (the "**Bankruptcy Code**"). [6] Their Chapter 11 cases were jointly administered under the lead case of *In re Bailey Tool & Manufacturing Company*.

During the Chapter 11 cases, the Court entered the following orders authorizing the Debtors to use Comerica's cash collateral and Republic's alleged cash collateral (collectively, the "**Cash Collateral Orders**"):

- Interim Order Authorizing the Debtors to Use Cash Collateral through February 29, 2016 [ECF No. 30];
- Second Interim Order Authorizing the Debtors to Use Cash Collateral through March 30, 2016 [ECF No. 113];
- Final Order Authorizing the Debtors' Use of Cash Collateral [ECF No. 167] (the "**Final Cash Collateral Order**");
- First Supplement to Final Order Authorizing the Debtors' Use of Cash Collateral [ECF No. 267];
- Amended Supplement to Final Order Authorizing the Debtors' Use of Cash Collateral [ECF No. 298]; and
- Second Supplement to Final Order Authorizing the Debtors' Use of Cash Collateral [ECF No. 335].

Each of the Cash Collateral Orders contained the following language (or substantively similar language) granting Comerica and Republic adequate protection in the forms of replacement liens and superpriority claims:

> **Adequate Protection**: As partial adequate protection to Comerica and Republic, to the extent that the Debtors' use of the Cash Collateral results in a decrease in the value of Comerica's and/or Republic's interest in such property, such lender is hereby granted: (i) automatically perfected liens (the "Adequate Protection Liens") on all property now owned or hereafter acquired by the Debtors (the "Collateral"), subject only to paragraph below and the lien of Sterling Commercial Credit, LLC (the "DIP Lender") solely in the Debtors' accounts; and (ii) superpriority administrative claims (the "Superpriority Claims") pursuant to Sections 361(2), 363(c)(2), 364(d)(1), 503(b)(1), and 507(b) of the Bankruptcy Code, junior only to the superpriority claim against the Debtors in favor of the DIP Lender. As between Republic and Comerica, the Adequate Protection Liens and the Superpriority Claims shall have the priority provided in the Subordination and Intercreditor Agreement dated February 25, 2015 between Republic, Comerica, the Debtors, John Buttles, and Buttolph Technology, LLC (the "Subordination Agreement"). Nothing in this order or any prior order shall be construed to grant liens that prime ad valorem property tax liens.

Final Cash Collateral Order ¶ 7. Pursuant to the Cash Collateral Orders, the Debtors made monthly adequate protection payments to Comerica totaling $90,000. Comerica Ex. 43 at 2.

***3** The Court also authorized the Debtors to enter into a postpetition financing arrangement with Sterling Commercial Credit, LLC (the "**DIP Lender**") in the form of the Accounts Purchase and Security Agreement, pursuant to which the DIP Lender factored the Debtors' postpetition accounts receivable. *See* Final Order Authorizing Debtors to Enter Into Financing Transaction with Sterling Commercial Credit, LLC and Providing Adequate Protection to Comerica Bank and Republic Business Credit, LLC [ECF No. 174] (the "**DIP Financing Order**"). Pursuant to the DIP Financing Order:

> To secure the Obligations, [the DIP] Lender is hereby granted pursuant to Section 364(d) of the Code a first lien on the Collateral. [7] No other claims, liens or security interests, including but not limited to any lien of Republic Business Credit, LLC or Comerica, shall be prior to Lender's lien in the Collateral in this or any subsequent proceeding under the Bankruptcy Code. Republic Business Credit, LLC and Comerica Bank have or claim to have liens on the Debtors' accounts, and Lender's lien in such accounts is a priming lien for the purposes of Section 364(d) of the Code.
>
> * * *

> The Obligations [owing to the DIP Lender] shall have the highest administrative priority under Section 364(c)(1) of the Code, and shall have priority over all other costs and expenses of administration, including those specified in, or ordered pursuant to, Sections 105, 326, 330, 331, 503(b), 506(c), 507(a), 507(b) or 726 or any other provision of the Code or otherwise (whether incurred in this case, any conversion of this case pursuant to Section 1112 of the Code, or in any other proceedings related hereto or thereto) (the "Superiority Claim").
>
> * * *
>
> As partial adequate protection to Comerica and Republic, to the extent that the Debtors' use of the Pre–Petition Collateral and Cash Collateral results in a decrease in the value of Comerica's and/or Republic's interest in such property, such lender is hereby granted: (i) automatically perfected liens (the "Adequate Protection Liens") on all property now owned or hereafter acquired by the Debtors, subject to the prior lien of [DIP] Lender in the Collateral and (ii) Superpriority Claims junior in priority and subordinate to the Superpriority Claim in favor of DIP Lender. As between Republic and Comerica, the Adequate Protection Liens and the Superpriority Claims shall have the priority provided in the Subordination and Intercreditor Agreement dated February 25, 2015 between Republic, Comerica, the Debtors, John Buttles, and Buttolph Technology, LLC....

DIP Financing Order ¶¶ 2.1, 2.4, and 3.5.

On January 26, 2017, the Court entered an order dissolving joint administration and converting the Debtors' cases to Chapter 7. James Cunningham was thereafter appointed Chapter 7 Trustee over the Debtors' respective estates. At the Trustee's request, the Court entered an order setting July 17, 2017 as the deadline for filing administrative claims against each Debtor's Chapter 11 estate. Comerica timely filed the Motion in the Bailey Tool case, but it did not file the Motion in the Hunt or Cafarelli cases.

III. LEGAL ANALYSIS

A. Preliminary Matters

Before turning to the parties' arguments, the Court must address two preliminary issues. First, despite the fact that Comerica is seeking the Diminution Claim against each Debtor, it only filed the Motion in Bailey Tool's Chapter 7 case. Although a single filing in Bailey Tool's case would be appropriate if the cases were still jointly administered, joint administration ceased when the cases converted to Chapter 7. Because of this, Comerica was required to file the Motion in each case. Comerica's failure to do so raises due process concerns that prevent this Court from allowing a superpriority administrative claim against either Hunt or Cafarelli. Accordingly, the Court will only analyze the Diminution Claim as alleged against Bailey Tool.

***4** Second, the Court must determine the relevant dates by which it should measure the alleged diminution in the value of Comerica's collateral. Both parties agree that the Petition Date is the starting point, but they disagree on the end date. Comerica argues that the Court should judge final value as of the dates that the Trustee liquidated its collateral during the bankruptcy case. Hayward, on the other hand, urges the Court to measure final value as of the Conversion Date, regardless of subsequent sales.

Hayward's proposed approach is notable because neither party hired an appraiser or valuation expert. Instead, each relies on documents filed with the Court, including Bailey Tool's Schedules of Assets and Liabilities [ECF No. 92] (the "**Schedules**"), Monthly Operating Reports (the "**MORs**"), and several post-conversion sale orders. If the Court were to end its analysis at the Conversion Date, the only evidence of value in the record would be Bailey Tool's Schedules and MORs. Bailey Tool's last MOR, however, covered the period of November 1–30, 2016 (nearly three months prior to the Conversion Date), and it failed to file post-conversion schedules as required by the Bankruptcy Code. Thus, under Hayward's proposal, the record would be devoid of evidence showing value as of the Conversion Date, and the Motion would fail for a lack of proof. The Court, however, declines to limit its analysis to the Conversion Date when the record contains the ultimate sales price for the subject collateral.

Based upon the record before it, the Court finds Comerica's argument persuasive. To hold otherwise

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would ignore the facts that (1) the Trustee has liquidated virtually all of Bailey Tool's remaining assets through arms-length sales to third parties, and (2) under the Final Cash Collateral Order, Comerica's adequate protection did not end on the Conversion Date, but continued into the Debtors' Chapter 7 cases. *See* Final Cash Collateral Order ¶ 20 ("... the Adequate Protection Liens and Superpriority Claims granted [to Comerica and Republic] herein shall continue in these proceedings and in any successor cases. The Adequate Protection Liens and Superpriority Claims shall maintain their priority as provided by this Order.").

Thus, the Court concludes that, under the facts of this case, the relevant dates at which to measure the value of Comerica's collateral are the Petition Date and the sale date. With these preliminary matters addressed, the Court will turn to the parties' arguments.

B. Analysis of the Diminution Claim Under 11 U.S.C. § 507(b)

Section 507(b) of the Bankruptcy Code governs whether the Diminution Claim is entitled to superpriority status. Under the statute, Comerica has the burden of proving that: (1) it was previously provided adequate protection under Bankruptcy Code §§ 362, 363, or 364, (2) notwithstanding such adequate protection, it holds a claim that is allowable under 11 U.S.C. § 507(a)(2), and (3) its § 507(a)(2) claim arose from (i) imposition of the automatic stay under § 362, (ii) Bailey Tool's use, sale, or lease of Comerica's collateral under § 363, or (iii) the granting of a senior lien under § 364(d). 11 U.S.C. § 507(b);[8] *Ford Motor Credit Co. v. Dobbins*, 35 F.3d 860, 865–66 (4th Cir. 1994). Superpriority status, however, only arises if the diminution is not offset by the replacement liens Comerica was granted as adequate protection under the Cash Collateral Orders and the DIP Financing Order. Only the shortfall remaining is entitled to superpriority status. *See* 4–507 Colliers on Bankruptcy Prac. 507.14 (A. Resnick & H. Sommer eds., 16th ed. 2017).

***5** Because it is undisputed that Bailey Tool provided Comerica adequate protection under §§ 362, 363, and/or 364 pursuant to the Cash Collateral Orders and the DIP Financing Order, Comerica has clearly met the first requirement. Thus, this Court will only analyze the second and third requirements of the statute.

1. Comerica Must Have a Claim Allowable Under § 507(a)(2)

If all other requirement of the statute are met, § 507(b) grants superpriority status to claims otherwise allowable as an administrative expense under § 507(a)(2). Section 507(a)(2), in turn, requires that the claim be allowed as an administrative expense under § 503(b). As applicable here, the administrative expenses allowable under § 503(b) are the "actual, necessary costs and expenses of preserving the estate...." 11 U.S.C. § 503(b)(1)(A). This requires actual use of the creditor's property by the debtor or trustee that confers a concrete benefit to the estate. *Dobbins*, 35 F.3d at 865–66 (quoting *In re ICS Cybernetics, Inc.*, 111 B.R. 32, 36 (Bankr.N.D.N.Y.1989)).

Here, the record clearly shows that Bailey Tool used Comerica's collateral and cash collateral to operate and fund ongoing operations while in Chapter 11. Post-conversion, the Trustee liquidated Comerica's collateral and used its cash collateral to fund the administration of the estate. In fact, no party has alleged that Comerica's collateral or cash collateral was used for anything other than the actual, necessary costs and expenses of preserving the estate. Accordingly, the second requirement of § 507(b)(2) is also met to the extent that Comerica is able to prove a qualifying diminution in the value of its collateral, to which the Court will now turn.

2. Whether there was a Diminution in the Value of Comerica's Collateral Caused by Either (1) Imposition of the Automatic Stay Under § 362, (2) Bailey Tool's Use, Sale or Lease of Comerica's Collateral under § 363, or (3) the Granting of a Senior Lien Under § 364(d)

In its Motion, Comerica alleges that the adequate protection it received was insufficient to protect it from a diminution in the value its collateral due to: (1) Bailey Tool's use of Comerica's cash collateral, (2) the priming lien on Bailey Tool's accounts receivable granted to the DIP Lender under the DIP Financing Order, and (3) the accrual of ad valorem taxes during the bankruptcy case. Motion ¶¶ 1–3, 23–24. The Motion, however, gives no detail regarding the value of Comerica's collateral or its

alleged diminution. Instead, Comerica simply calculates the Diminution Claim as the amount reflected in its proof of claim ($2,018,628.08) minus amounts received from sales of its collateral by each Debtor ($737,000), for a Diminution Claim of "more than $1,280,000." *Id.* ¶¶ 10–11.

Hayward, however, points to portions of Bailey Tool's Schedules and November 2016 MOR [ECF No. 368] (the "**November MOR**") to argue that the value of Comerica's collateral actually increased by over $300,000 since the Petition Date:

Collateral	Schedule A [ECF No. 92]	November MOR [ECF No. 368]
Account Receivable	$448,926.33	$862,295.00
Cash	$11,172.00	$7,003.00
Bailey inventory	$619,243.00	$478,663.00
Totals:	$1,079,341.33	$1,347,961300

Hayward & Associates PLLC's Objection to Comerica Bank's Motion for Allowance of Administrative Expense Claim [ECF No. 452] (the "**Objection**") ¶ 10. The Objection, however, ignores that Bailey Tool's November MOR includes both prepetition assets (over which Comerica holds a lien) and postpetition assets (to which Comerica's lien did not attach under 11 U.S.C. § 552(a), as discussed below). Because of this, a deeper analysis is required to determine whether there was a diminution in the value of Comerica's collateral.

***6** Comparing Bailey Tool's Schedule A to its November MOR shows the following assets and corresponding values to which Comerica's lien attached under its prepetition security agreement:

Category of Collateral	Schedule A [ECF No. 92]	November MOR [ECF No. 368]	Change in Value
Accounts Receivable	$448,926.33	$862,295.00	$413,368.67
Cash on Hand	$11,172.00	$7,003.00	($4,169.00)
Inventory	$619,243.12	$478,663.00	($140,580.12)
Office Furniture, Fixtures, and Equipment [9]	$18,500.00	$18,500.00	$0
Machinery, Equipment, and Vehicles	$3,882,150.00	$3,882,150.00	$0
Real Property [10]	$828,307.81	$828,307.81	$0

All Other Assets [11]	$452,427.52	$452,142.32	($285.20)
Totals:	$6,260,726.78	$6,529,061.13	$268,334.35

The Court will address these categories in turn.

a. Accounts Receivable

Comerica alleges that it held a first lien on all of Bailey Tool's pre- and postpetition accounts receivable until the DIP Lender primed its lien, resulting in a diminution in the value of its collateral. Comerica's argument, however, fails to appreciate the effect that 11 U.S.C. § 552 had on the liens granted by its prepetition security agreement with the Debtors, which the Court will now explain.

The prepetition security agreement between Comerica and Bailey Tool covers all of the Debtors' accounts receivable and the proceeds generated by the collection of such receivables. Case No. 16–30503, Proof of Claim 17–1 Ex. G ¶ 1. Under 11 U.S.C. § 552(a), however, property acquired by a debtor after the petition date is not subject to a lien arising from a prepetition security agreement. 11 U.S.C. § 552(a). [12] Under § 552(b)(1), though, if a security agreement grants a lien on a prepetition asset and the proceeds, products, offspring, or profits of such asset, then the security interest will continue postpetition in both the asset and the proceeds, products, offspring, or profits of the asset to the extent permitted by the security agreement and applicable law. *Id.* § 552(b)(1). [13] Thus, depending on whether Republic and the DIP Lender have been repaid, Comerica holds either a second or a third lien on the Debtors' prepetition accounts receivable and the proceeds generated by the postpetition collection of the prepetition accounts receivable. Comerica, however, could only have a lien on the Debtors' postpetition accounts receivable if granted by the Court. Although the Court did grant Comerica a replacement lien on the Debtors' postpetition accounts receivable (junior to the DIP Lender), that lien only arises *after* Comerica proves a decrease in the value of its collateral. *See* Final Cash Collateral Order ¶ 7; DIP Financing Order ¶ 3.5. Accordingly, Comerica never held a lien on Bailey Tool's postpetition accounts receivable that the DIP Lender could prime. The DIP Financing Order did, however, grant the DIP Lender a priming lien on the prepetition accounts receivable that serve as Comerica's collateral. DIP Financing Order ¶¶ 2.1 and H.

***7** Because of this, the proper focus is not on the postpetition increase in Bailey Tool's accounts receivable, but on the prepetition accounts receivable collected during the bankruptcy case. Although neither party addressed this amount in their pleadings or at the Hearing, Bailey Tool's MORs show that it collected $177,282 between the Petition Date and November 30, 2016. [14] The record also reflects that Bailey Tool used these funds (Comerica's cash collateral) to operate its business and/or administer its bankruptcy estate. This use, coupled with the priming lien granted to the DIP Lender, resulted in a dollar-for-dollar diminution in the value of Comerica's collateral. Thus, the Court finds and concludes that Comerica has met its burden to prove that it holds a diminution claim in the amount of $177,282 under § 507(b), subject to later true-up as discussed below. *See* § IV, *infra*.

b. Cash

Bailey Tool held $11,172 in cash as of the Petition Date, which had decreased to $7,003 by November 30, 2016. *Compare* Schedule A/B [ECF No. 92] at 9 of 91, *with* November MOR [ECF No. 368] at 2 of 11. The current amount of cash held by the Trustee, however, is unknown. Moreover, there is no evidence in the record regarding the source of such cash, including whether it was (1) Comerica's prepetition collateral or the proceeds thereof (to which its lien would attach), or (2) the proceeds of postpetition accounts receivable factored by the DIP Lender (to which only Comerica's replacement lien would attach). Accordingly, although a diminution in Bailey Tool's cash may have occurred, the Court finds and concludes that Comerica has failed to prove the amount.

c. Inventory

A comparison of Bailey Tool's Schedules and November MOR shows a $140,580.12 decrease in inventory levels

from the Petition Date through November 30, 2016. *Compare* Schedule A/B [ECF No. 92] at 9 of 91, *with* November MOR [ECF No. 368] at 2 of 11. The Trustee subsequently liquidated Bailey Tool's inventory, but the record is devoid of evidence regarding the liquidation value. Accordingly, although it appears that a diminution in the value of Bailey Tool's inventory has occurred, the Court finds and concludes that Comerica has failed to prove the amount.

d. Office Furniture, Fixtures, and Equipment; Machinery, Equipment, and Vehicles

Bailey Tool scheduled its office furniture, fixtures, and equipment with a value of $18,500 and its machinery, equipment, and vehicles with a value of $3,882,150, for a combined total of $3,900,650. Schedule A/B [ECF No. 92] at 9 of 91. These assets, however, were subject to senior liens held by: (1) ad valorem taxing authorities of $491,663.84, [15] and (2) various third parties of $84,391.21. Case No. 16–30503, Proof of Claim 1–3; Schedule D [ECF No. 92] at 10–14 of 91. Factoring in these amounts, the furniture, fixtures, machinery, equipment and vehicles that served as Comerica's collateral had a net value as of the Petition Date of $3,324,625 ($3,900,650 −> $491,633.84 − $84,391.21).

These assets, along with those owned by the other Debtors, were liquidated during the bankruptcy cases, resulting in Comerica receiving $347,000 of net sale proceeds. Comerica Ex. 43 at 2. Of this amount, $320,000 is attributable to the sale of Bailey Tool's assets:

***8** • On May 4, 2016, the Court entered an order [ECF No. 200] authorizing the Debtors to auction various surplus assets via a third party auctioneer. Pursuant to the sale report filed June 22, 2016, the auction generated $147,359.91 in sale proceeds. Of this amount, $129,114.60 was paid to Dallas County in partial payment of ad valorem taxes, and $18,245.85 was paid to a third party creditor on account of its secured claim on specific equipment. Comerica did not receive any of the sale proceeds. Agreed Order Granting Debtors' Motion to Disburse Auction Proceeds to Secured Creditors [ECF No. 297] (the "**Disbursement Order**") at 2. Moreover, the sale-related pleadings did not break down the assets sold or the purchase price on a by-Debtor basis, so the Court is unable to determine what portion of the sale proceeds arose from the sale of Bailey Tool's assets versus those owned by Hunt or Cafarelli.

• On August 12, 2016, the Court entered an order [ECF No. 283] authorizing Bailey Tool to sell four pieces of equipment to a third-party purchaser for a gross price of $5,700. Dallas County received the sale proceeds in partial payment of ad valorem taxes. Disbursement Order at 2.

• On April 28, 2017, the Court entered an order authorizing the Trustee to sell the Debtors' remaining tangible personal property for $1,051,000. Order Authorizing Sale of Property of Estate Free and Clear of Liens and Encumbrances [ECF No. 423] (the "**April Sale Order**"). According to the underlying sale motion, the sale included $3,076,050 (value per Schedules) of Bailey Tool's computers, fixtures, equipment, machinery, and tooling. Motion to Sell Property of the Estate Free and Clear of Liens and Encumbrances [ECF No. 401] at 3. The sale proceeds allocated to Bailey Tool's assets was $839,955.14. [16] *Id.* Of this amount, Comerica received $320,000. Trustee's Sale Report [ECF No. 433] at 1. The sale proceeds were sufficient to satisfy the remaining ad valorem tax claims. April Sale Order at 2.

A comparison of the net scheduled value of Comerica's prepetition liens on Bailey Tool's furniture, fixtures, machinery, equipment, and vehicles ($3,324,625) versus the sale proceeds it received ($320,000) clearly shows that there was a diminution in the value of these assets. Comerica, though, must also prove that the diminution was due to either the imposition of the automatic stay under § 362, Bailey Tool's use, sale or lease of Comerica's collateral under § 363, or the granting of a senior lien under § 364(d). Although Bailey Tool presumably used these assets while operating in Chapter 11, the record is devoid of evidence regarding the cause of the diminution in the value. Thus, the Court finds and concludes that Comerica has failed to meet the requirements set forth in § 507(b) as to this category of assets.

e. Real Property

As part of its loan documents, Comerica held a deed of trust covering the real property and improvements located

at 904 and 906 Mercury Avenue, Duncanville, Texas (the "**Mercury Property**"), which was owned by Bailey Tool. Case No. 16–30503, Proof of Claim 17–1 Ex. F. Bailey Tool scheduled the Mercury Property with a value of $828,307.81, subject to $40,000 in ad valorem tax liens. Schedule A [ECF No. 92] at 6 of 91; Schedule D [ECF No. 92] at 11 of 91. The Trustee sold the Mercury Property for $430,000 pursuant to a sale order entered January 23, 2017 [ECF No. 383] (the "**Mercury Sale Order**"). Per the Mercury Sale Order, the purchase price represented the fair market value of the Property. *Id.* at 2. Comerica received $300,000 in net proceeds from the sale. Comerica Ex. 43 at 2. Thus, there was clearly a diminution in the value of the Mercury Property during the pendency of Bailey Tool's bankruptcy case.

***9** Under § 507(b), however, Comerica must prove that the diminution was due to either the imposition of the automatic stay under § 362, Bailey Tool's use, sale or lease of the Mercury Property under § 363, or the granting of a senior lien under § 364(d). There is no evidence in the record that the diminution was a result one of these factors versus another reason, such as Bailey Tool overvaluing the Mercury Property in its Schedules or market factors that would have influenced the price regardless of the bankruptcy case. Thus, the Court finds that Comerica has failed to prove that the diminution in the value of the Mercury Property meets the requirements of § 507(b).

f. All Other Assets

As previously explained, the category of "All Other Assets" is comprised of the Debtors' claims against Republic for wrongfully withheld funds valued at $450,000 and an employee loan valued at $2,427.52. Schedule A/B [ECF No. 92] at 7–8 of 91. According to the Trustee's initial report filed with the Court on November 17, 2017 [ECF No. 519] (the "**Initial Report**"), the Trustee has not administered either of these assets and there is nothing in the record indicating that the assets have diminished in value. Thus, the Court finds that Comerica has failed to prove these assets diminished in value during the pendency of Bailey Tool's bankruptcy case.

C. The Parties' Arguments Regarding Ad Valorem Taxes

Comerica also argues that it is entitled to a superpriority claim equal to the ad valorem taxes that accrued during Bailey Tool's bankruptcy case. The Court finds this argument unpersuasive because the ad valorem tax liens prime Comerica's liens regardless of Bailey Tool's bankruptcy case. Because of this, Comerica is unable to prove that the accrual of ad valorem taxes resulted in a diminution in the value of its collateral due to the imposition of the automatic stay under § 362, Bailey Tool's' use, sale or lease of Comerica's collateral under § 363, or the granting of a senior lien under § 364(d). 11 U.S.C. § 507(b); *see In re Constr. Supervision Servs., Inc.*, 2015 WL 4873062, at *7 (Bankr. E.D.N.C. Aug. 13, 2015), *aff'd sub nom.* 2016 WL 2764328 (E.D.N.C. May 9, 2016) (holding creditor not entitled to superpriority claim when diminution would have occurred regardless of the bankruptcy case); *In re Mendez*, 259 B.R. 754, 758 (Bankr. M.D. Fla. 2001) ("losses that would have occurred despite the interference of the bankruptcy case are not entitled to protection under § 507(b)"); *see also* Final Cash Collateral Order ¶ 7 (granting Comerica adequate protection, but clarifying that "[n]othing in this order or any prior order shall be construed to grant liens that prime ad valorem property tax liens.").

Along a similar vein, Hayward argues that a decrease in 2016 and 2017 personal property ad valorem taxes that resulted from a postpetition settlement of the Debtors' tax protest increased the value of Comerica's collateral. *See* Order Approving Compromise [ECF No. 417] (the "**Tax Settlement Order**") (reducing the 2016 and 2017 appraisal value of Bailey Tool's business personal property). According to Hayward, the proper calculation of alleged diminution compares the value of Comerica's liens, net of all senior liens. And, because the senior ad valorem tax claims were significantly less postpetition than they were as of the Petition Date, the value of Comerica's liens increased. Although the Court agrees with Hayward's general premise, for the reason explained below, the Court finds that the reduction in personal property ad valorem taxes at issue does not compensate for the $177,282 diminution in the value of Comerica's lien on Bailey Tool's accounts receivable.

***10** The Dallas Central Appraisal District assigned the business personal property ad valorem taxes owed by Bailey Tool Account Nos. x42100 and x23200. Plaintiff's Original Petition and Request for Disclosure [Adv. Proc. No. 16–3129, ECF No. 1–2] ¶ 9. The appraisal values for

the accounts were $1,629,790 and $4,421,680, respectively. *Id.* The Tax Settlement Order reduced these amounts to $680,010 and $780,500, respectively, for tax years 2016 and 2017. This resulted in Bailey Tool paying less in personal property ad valorem taxes than it otherwise would have. These tax savings, however, relate solely to business personal property, such as inventory, furniture, fixtures, machinery, equipment, and vehicles (collectively, the "**Personal Property**"). Case No. 16–30503, Proof of Claim No. 1–3; *see* TEX. PROP. TAX CODE §§ 11.01(a) ("All real and tangible personal property that this state has jurisdiction to tax is taxable unless exempt by law), 11.02 (stating that, with limited exceptions not applicable here, intangible personal property is not taxable), and 104(6) (defining intangible personal property to include accounts receivable). The Court, however, previously held that Comerica failed to prove that the diminution in Bailey Tool's Personal Property met the requirements of 11 U.S.C. § 507(b). *See* §§ III.B.2.c-d, *supra*. Because Comerica failed to prove a qualifying diminution in value of the Personal Property, any argument that tax savings on that same property offset an alleged diminution in value is moot.

D. Whether the Collateral Shortfall was Offset by Comerica's Replacement Liens

As reflected in the Initial Report, the Trustee has fully administered all of Bailey Tool's assets, with the exceptions of (1) the $2,427.52 employee loan, (2) the ongoing collection of pre-and postpetition accounts receivable, [17] and (3) the Debtors' claim against Republic for wrongfully withheld funds, which the Schedules value at $450,000. Of these, the only asset not subject to Comerica's prepetition lien is the proceeds of postpetition accounts receivable, which are also subject to the DIP Lender's priming lien and/or Republic's senior lien, to the extent such entities have not be paid in full. Accordingly, based upon the record before it today, the Court finds that the $177,282 diminution in Comerica's collateral was not offset by the replacement liens Comerica was granted under the Cash Collateral Orders and the DIP Financing Order (the "**Interim Diminution Claim**"). The amount of the Interim Diminution Claim will likely change, however, as the Trustee continues to administer Bailey Tool's remaining assets.

IV. CONCLUSION

For the reasons explained above, the Court finds and concludes that there has been a failure in Comerica's adequate protection and that some portion of the $177,282 Interim Diminution Claim is entitled to superpriority status. The Court, however, is unable to determine the amount at this time because of the Trustee's ongoing collection of both pre- and postpetition accounts receivable and the pending Republic Adversary Proceeding. [18] Thus, the Court will allow Comerica, on an interim basis, a superpriority claim under 11 U.S.C. § 507(b) of $177,282, which reflects the proceeds from Bailey Tool's postpetition collection and use of the prepetition accounts receivable that serve as Comerica's collateral.

***11** The Interim Diminution Claim, however, will be subject to a true-up between the Trustee and Comerica as additional accounts receivable are collected and the Republic Adversary Proceeding concluded. Upon final true-up, Comerica shall file a Notice with this Court that contains the final superpriority diminution claim agreed to by the Trustee and Comerica (the "**Agreed Diminution Claim**"). [19] Hayward shall have 21 days to file an objection to the Agreed Diminution Claim. If Hayward fails to timely object, Comerica shall upload an order allowing the Agreed Diminution Claim on a final basis. If Hayward timely objects and the parties are unable to reach a resolution, Hayward, Comerica, and the Trustee shall file a joint status report with the Court setting forth their respective positions and requesting a status conference. At the status conference, the Court will establish a scheduling order with respect to a further evidentiary hearing.

SO ORDERED

All Citations

Slip Copy, 2018 WL 550581

Footnotes

1 "ECF No." refers to the docket sheet in the case of *In re Bailey Tool & Manufacturing Co.*, 16–30503–BJH–7.

2 The Motion contains conflicting amounts. The body of the Motion requests a superpriority claim of $1,609,348.45, while the prayer requests $1,280,000. At the Hearing, Comerica's counsel clarified that the correct amount is $1,280,000. Hr'g Audio Tr. (11/28/17) 9:04–05.

3 Although the Motion also requests allowance of a superpriority administrative claim against debtor Bailey Shelter L.P., Comerica's counsel withdrew such request on the record at the Hearing. Hr'g Audio Tr. (11/28/17) 9:05. Accordingly, Bailey Shelter L.P.'s bankruptcy case is not relevant to this Memorandum Opinion and Order.

4 Hayward served as the Debtors' counsel during their Chapter 11 cases and holds a pre-conversion claim for attorneys' fees.

5 This Memorandum Opinion and Order contains the Court's findings of fact and conclusions of law in accordance with Federal Rules of Bankruptcy Procedure 7052 and 9014. Any finding of fact more properly considered a conclusion of law, or any conclusion of law more properly considered a finding of fact, should be so considered.

6 The Debtors' respective bankruptcy cases are *In re Bailey Tool and Manufacturing*, 16–30503, *In re Hunt Hinges, Inc.*, 16–30504, and *In re Cafarelli Metals, Inc.*, 16–30507.

7 The DIP Financing Order defines "Collateral" as "all of the Debtors' now existing and hereafter arising accounts as defined in the Uniform Commercial Code." *Id.* ¶ H.

8 11 U.S.C. 507(b) states:

> If the trustee, under section 362, 363, or 364 of this title, provides adequate protection of the interest of a holder of a claim secured by a lien on property of the debtor and if, notwithstanding such protection, such creditor has a claim allowable under subsection (a)(2) of this section arising from the stay of action against such property under section 362 of this title, from the use, sale, or lease of such property under section 363 of this title, or from the granting of a lien under section 364(d) of this title, then such creditor's claim under such subsection shall have priority over every other claim allowable under such subsection.

9 Bailey Tool's February MOR lumps the Schedule A/B categories of (1) Office Furniture, Fixtures, and Equipment, (2) Machinery, Equipment, and Vehicles, and (3) Real Property into the category Property, Plant, and Equipment. *Compare* Schedule A/B [ECF No. 92] at 9 of 91, *with* November MOR [ECF No. 368] at 2 of 10.

10 The real property and improvements located at 904 Mercury Avenue, Duncanville, Texas.

11 "All Other Assets" is comprised of (1) $425,000 in research and development tax credits, (2) a $2,427.52 employee loan, and (3) $450,000 in funds that the Debtors allege are being improperly held by Republic. Schedule A/B [ECF No. 92] at 7–8 of 91. *See also* November MOR [ECF No. 123 at 3 of 10]. Because Comerica's lien would not attach to a tax credit, that amount is excluded from the above table.

12 11 U.S.C. § 552(a) states that:

> (a) Except as provided in subsection (b) of this section, property acquired by the estate or by the debtor after the commencement of the case is not subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case.

13 11 U.S.C. § 552(b)(1) states, in relevant part, that:

> ... if the debtor and an entity entered into a security agreement before the commencement of the case and if the security interest created by such security agreement extends to property of the debtor acquired before the commencement of the case and to proceeds, products, offspring, or profits of such property, then such security interest extends to such proceeds, products, offspring, or profits acquired by the estate after the commencement of the case to the extent provided by such security agreement and by applicable nonbankruptcy law, except to any extent that the court, after notice and a hearing and based on the equities of the case, orders otherwise

14 *See* ECF Nos. 368 (February 2016) at 5, line 3 ($65,857 collected), 190 (March 2016) at 5, line 3 ($111,425 collected), 214 (April 2016) at 6, line 3 ($0 collected), 235 (May 2016) at 6, line 3 ($0 collected), 284 (June 2016) at 6, line 3 ($0 collected), 296 (July 2016) at 6, line 3 ($0 collected), 310 (August 2016) at 6, line 3 ($0 collected), 331 (October 2016) at 6, line 3 ($0 collected), and 368 (November 2016) at 6, line 3 ($0 collected).

15 Bailey Tool scheduled these same tax claims for $533,171.66. Schedule D [ECF No. 92] at 12 of 91. The difference between the claims as filed and scheduled is not material to this Court's ruling.

16 In the April Sale Order, Comerica reserved its right to, among other things, challenge the Trustee's allocation of the purchase price as between the Debtors.

17 A comparison of Bailey Tool's Schedules and MORs show that it values the uncollected prepetition accounts receivable at $271,644.

18 With respect to the Republic Adversary Proceeding, Hayward argues that Comerica has agreed to limit its lien on litigation proceeds to the first $180,000 received, as reflected by the Order Approving Compromise and Settlement Under Rule

9019 [ECF No. 444] (the "**Settlement Order**"). The Settlement Order was entered in resolution of Comerica's objection to the Trustee's request to employ special litigation counsel to prosecute the Republic Adversary Proceeding at a 40% contingency fee, plus expenses. Comerica objected because the 40% contingency was a flat percentage that did not account for the possibility that the litigation may settle soon after special litigation counsel was employed. In resolution of this objection, the Trustee sought Court approval of a settlement with Comerica, which is reflected in the Settlement Order. The relevant portion of the Settlement Order reads as follows:

> The Trustee and Special Litigation Counsel agree, in compromise and settlement, that the first One Hundred and Eighty Thousand Dollars ($180,000.00) or ten percent (10%) of the gross recovery (whichever is greater) collected from the litigation to be pursued by Special Litigation Counsel on behalf of the Trustee against RBC shall be paid to Comerica without any contingent fee or costs of the litigation being subtracted therefrom.

Id. ¶ E. There is no language in the Settlement Order or the underlying motion indicating that Comerica agreed to waive its lien on any other litigation proceeds that fall under the terms of its prepetition security agreement. Instead, the settlement addressed Comerica's concern that an early settlement of the Republic Adversary Proceeding would result in special litigation counsel receiving a disproportionate share of the litigation proceeds.

19 If the Trustee and Comerica are unable to reach an agreement, Comerica and the Trustee shall file a joint status report with the Court setting forth their respective positions and requesting a status conference. At the status conference, the Court will establish a scheduling order with respect to a further evidentiary hearing.

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Appendix II

E

2012 WL 13033641

Editor's Note: Additions are indicated by Text and deletions by ~~Text~~ .

Only the Westlaw citation is currently available.

United States Bankruptcy Court,
D. Delaware.

IN RE: ALLIED SYSTEMS
HOLDINGS, INC., et al., [1] Debtor.

Case No. 12–11564 (CSS) (Jointly Administered)
|
Signed July 12, 2012

Attorneys and Law Firms

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FINAL ORDER PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363(c), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e), 503(b) and 507(a), FED. R. BANKR. P. 2002, 4001 AND 9014 AND DEL. BANKR. L.R. 4001–2: (I) AUTHORIZING DEBTORS TO (A) OBTAIN POSTPETITION SECURED DIP FINANCING AND (B) USE CASH COLLATERAL; (II) GRANTING SUPERPRIORITY LIENS AND PROVIDING FOR SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS; (III) GRANTING ADEQUATE PROTECTION TO PREPETITION SECURED LENDERS; AND (IV) MODIFYING AUTOMATIC STAY

THE HONORABLE CHRISTOPHER S. SONTCHI, UNITED STATES BANKRUPTCY JUDGE

***1** Allied Systems Holdings, Inc. ("Holdings"), [2] Allied Systems, Ltd. (L.P.) ("Systems") and their U.S. and Canadian subsidiaries (collectively, the "Debtors"), having moved on June 11, 2012 (the "Motion") for an interim order (the "Interim Order") and a final order (the "Final Order") authorizing them to, among other things, (i) incur post-petition secured indebtedness, (ii) grant superpriority security interests and superpriority claims, and (iii) grant adequate protection, pursuant to sections 105(a), 362, 363(c), 364(c), (d), and (e), 503(b) and 507(a) of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (as amended, the "Bankruptcy Code"), and Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 4001–2 of the Delaware Bankruptcy Local Rules (the "Local Rules"); a hearing on the Motion having been held on June 12, 2012 (the "Interim Hearing") and this Court having entered the Interim Order on June 12, 2012 and having entered an amended interim order (the "Amended Interim Order") on June 26, 2012; a final hearing on the Motion having been held on July 12, 2012 (the "Final Hearing"); and based upon all of the pleadings filed with this Court, the evidence presented at the Interim Hearing and the Final Hearing and the entire record herein; and the Court having heard and resolved or overruled all objections to the relief requested in the Motion; and the Court having noted all appearances at the Final Hearing; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, and creditors; and after due deliberation and consideration, sufficient cause appearing therefore, **IT IS HEREBY FOUND:** [3]

A. Petition Date. On May 17, 2012 (the "Petition Date"), involuntary petitions pursuant to chapter 11 of the Bankruptcy Code were filed against Holdings and Systems by certain creditors (the "Petitioning Creditors"). Holdings and Systems consented to the entry of an order for relief on June 10, 2012 (the "Consent Date"). All of the other Debtors filed voluntary petitions for relief on the same date. The Debtors' cases under chapter 11 are collectively referred to herein as the "Chapter 11 Cases." The Debtors are operating their businesses and managing their affairs as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108. No trustee or examiner has been appointed in any of the Chapter 11 Cases. On June 19, 2012, the United States Trustee appointed a statutory committee of unsecured creditors (the "Committee").

B. Jurisdiction; Venue. This Court has core jurisdiction over the Chapter 11 Cases and the Debtors' property

pursuant to 28 U.S.C. §§§ 157(b)(2)(D) and 1334. Venue for the Chapter 11 Cases is proper before this Court under 28 U.S.C. §§ 1408 and 1409.

***2** C. Notice. Proper notice under the circumstances has been given by the Debtors of the Motion, the Interim Hearing and the Final Hearing pursuant to Bankruptcy Rule 4001(b) and Local Rule 4001–2.

D. Debtors' Stipulations. In entering into the DIP Financing Agreement (as defined below) and as consideration therefor, subject to the rights of non-Debtor parties as set forth in the provisions of paragraph 12 below, the Debtors acknowledge, represent, stipulate, and agree that:

(i) Prepetition Loan Documents. Holdings and Systems are borrowers under (a) that certain Amended and Restated First Lien Secured Super–Priority Debtor In Possession and Exit Credit and Guaranty Agreement (the "Prepetition First Lien Loan Agreement"), dated as of May 15, 2007 (as amended by that certain Limited Waiver and Amendment No. 1 to Credit Agreement and Pledge and Security Agreement, dated as of May 29, 2007, that certain Amendment No. 2 to Credit Agreement, dated as of June 12, 2007, that certain Amendment No. 3 to Credit Agreement, dated as of April 17, 2008, that certain Amendment No. 4 to Credit Agreement dated as of August 21, 2009 and as otherwise amended through the Consent Date), by and among Holdings and Systems, as borrowers, their subsidiaries identified therein, as guarantors, the lenders party thereto from time to time (collectively, and together with such lenders' successors and assigns, the "Prepetition First Lien Lenders"), Goldman Sachs Credit Partners L.P., as lead arranger and syndication agent, and The CIT Group/Business Credit, Inc. ("CIT"), as administrative agent and collateral agent (in either or both of such capacities, and together with its successors in either or both of such capacities, the "Prepetition First Lien Agent") and (b) that certain Second Lien Secured Super–Priority Debtor In Possession and Exit Credit and Guaranty Agreement (the "Prepetition Second Lien Loan Agreement"), dated as of May 15, 2007 (as amended by that certain Limited Waiver and Amendment No. 1 to Credit Agreement and Pledge and Security Agreement, dated as of May 29, 2007, that certain Amendment No. 2 to Credit Agreement, dated as of June 12, 2007, that certain Amendment No. 3 to Credit Agreement, dated as of April 17, 2008 and as otherwise amended through the Consent Date), by and among Holdings and Systems, as borrowers, their subsidiaries identified therein, as guarantors, the lenders party thereto from time to time (collectively, and together with such lenders' successors and assigns, the "Prepetition Second Lien Lenders," and together with the Prepetition First Lien Lenders, the "Prepetition Lenders"), Goldman Sachs Credit Partners L.P., as lead arranger and syndication agent, and The Bank of New York Mellon, as administrative agent and collateral agent (in such capacity and together with its successors in either or both of such capacities, the "Prepetition Second Lien Agent," together with the Prepetition First Lien Agent, the "Prepetition Agents," and the Prepetition Second Lien Agent collectively with the Prepetition Lenders and the Prepetition First Lien Agent, the "Prepetition Secured Parties"). CIT resigned as the Prepetition First Lien Agent on or about April 19, 2012. To date, no successor has been appointed and the "Requisite Lenders," as such term is defined in the Prepetition First Lien Loan Agreement (the "Prepetition First Lien Requisite Lenders") have the powers accorded to the Prepetition First Lien Agent pursuant to the terms of the Prepetition First Lien Loan Agreement. Accordingly, as used herein, the term "Prepetition First Lien Agent" shall be deemed to mean the Prepetition First Lien Requisite Lenders until a successor First Lien Agent to CIT is appointed, if ever. The term "Prepetition Loan Documents" means, collectively, the Prepetition First Lien Loan Agreement, the Prepetition Second Lien Loan Agreement, the Prepetition Intercreditor Agreement (as defined below) and all agreements, documents, notes, mortgages, security agreements, pledges, guarantees, subordination or intercreditor agreements, instruments, amendments, and any other agreements or documents executed and/or delivered pursuant thereto or in connection therewith.

***3** (ii) Prepetition Indebtedness. For purposes of this Final Order, the term (a) "Prepetition First Lien Debt" shall mean all "Obligations" as defined in the Prepetition First Lien Loan Agreement and other amounts owed by the Borrowers or the Guarantors as of the Consent Date to the Prepetition First Lien Agent and the Prepetition First Lien Lenders under the Prepetition First Lien Loan Agreement and the other Prepetition Loan Documents related thereto, (b) "Prepetition Second Lien Debt" shall mean all "Obligations" as defined in the Prepetition Second Lien Loan Agreement and other amounts owed by the Borrowers and the Guarantors

as of the Consent Date to the Prepetition Second Lien Agent and Prepetition Second Lien Lenders under the Prepetition Second Lien Loan Agreement and the other Prepetition Loan Documents related thereto, and (c) "Prepetition Secured Debt" shall mean the Prepetition First Lien Debt and the Prepetition Second Lien Debt. As of the Consent Date, (A) the aggregate principal amount of the Prepetition First Lien Debt outstanding was not less than $244,021,526, plus accrued and unpaid interest, fees, costs, and expenses; (B) the aggregate principal amount of the Prepetition Second Lien Debt outstanding was not less than $30,000,000, plus accrued and unpaid interest, fees, costs, and expenses; (C) all of the Prepetition Secured Debt is unconditionally due and owing by the Debtors to the respective Prepetition Secured Parties; and (D) all claims in respect of the Prepetition Secured Debt and all Prepetition Lender Liens (as defined below) are not subject to any avoidance, reductions, set off, offset, disallowance, recharacterization, subordination (whether equitable, contractual or otherwise and except as set forth in the Prepetition Intercreditor Agreement (as defined below)), counterclaims, cross-claims, defenses or any other challenges under the Bankruptcy Code or any other applicable law or regulation by any person or entity.

(iii) Prepetition Liens. To secure the Prepetition Secured Debt, the Debtors and certain of their affiliates granted (i) the Prepetition First Lien Agent, for its own benefit and the benefit of the Prepetition First Lien Lenders, valid, binding, continuing, enforceable, and properly perfected first priority liens and security interests (the "Prepetition First Liens") upon and in substantially all of the real, personal and mixed property and assets of the Debtors and such affiliates (the "Prepetition Collateral"), and (ii) the Prepetition Second Lien Agent, for its own benefit and the benefit of the Prepetition Second Lien Lenders, valid, binding, continuing, enforceable, and properly perfected second priority liens and security interests (the "Prepetition Second Liens," and together with the Prepetition First Liens, the "Prepetition Lender Liens") upon and in all or substantially all of the Prepetition Collateral. As of the Consent Date, the Prepetition Lender Liens were senior and had priority over all other security interests and liens on the Debtors assets other than any non-avoidable, valid, enforceable and perfected liens and security interests in the Debtors' assets that existed as of the Petition Date (as defined below) in favor of third parties holding liens or security interests that are superior in priority, after giving effect to any existing subordination arrangements, to the Prepetition First Liens and are not otherwise subject to subordination under contract, the Bankruptcy Code or otherwise applicable law. Pursuant to that certain Intercreditor Agreement, dated as of May 15, 2007 (as amended, restated or otherwise modified from time to time prior to the Petition Date, the "Prepetition Intercreditor Agreement"), by and among Holdings, Systems, the other grantors party thereto and the Prepetition Agents, the Prepetition Second Liens are subject and subordinate in priority to the Prepetition First Liens. As of the Consent Date, there were no perfected liens on or security interests in the Prepetition Collateral except for the Prepetition Lender Liens, the Existing Priority Liens (as defined below) and other "Permitted Liens" as such term is defined in the Prepetition First Lien Credit Agreement.

(iv) No Claims. As of the Petition Date, no claims of any Debtor exist against any of Prepetition Secured Parties arising from or relating to any of the Prepetition Loan Documents, any loans or financial accommodations made thereunder or any of the other transactions contemplated thereby.

E. Purpose and Necessity of Financing. The Debtors require the DIP Loan to fund, among other things, ongoing working capital requirements and administrative costs and for other purposes permitted by this Final Order. The Debtors' "cash collateral," as such term is defined in Bankruptcy Code section 363(a) (the "Cash Collateral"), is insufficient to fund the Debtors' on-going business needs and administrative costs. The Debtors are unable to obtain adequate unsecured credit allowable as an administrative expense under Bankruptcy Code section 503, or other financing under Bankruptcy Code sections 364(c) or (d), on equal or more favorable terms than those set forth in the DIP Financing Agreement based on the totality of the circumstances. Moreover, a loan facility in the amount provided by DIP Financing Agreement is not available to the Debtors without granting superpriority claims and priming liens pursuant to the Bankruptcy Code, as provided in this Final Order and the DIP Financing Agreement. After considering all alternatives, the Debtors have concluded, in the exercise of their prudent business judgment, that the DIP Financing Agreement represents the best financing package available to them at this time and is in the best interests of the estates and their creditors.

***4** F. Use of Cash Collateral. The Debtors also require the continued use of Cash Collateral to operate their businesses. Without the continued use of Cash Collateral, the Debtors will not be able to meet their cash requirements for working capital needs. The Prepetition Agents and the DIP Agent do not consent (or are not deemed to consent) to the use of Cash Collateral except on the terms and conditions, and for the purposes, specified herein. The adequate protection provided herein and other benefits and privileges contained herein are consistent with and authorized by the Bankruptcy Code and are necessary in order to obtain such consent or non-objection of such parties and to adequately protect their interests in the Prepetition Collateral.

G. Good Cause. The continued ability of the Debtors to obtain sufficient working capital and liquidity and use of Cash Collateral under this Final Order is vital to the Debtors estates and creditors, and in particular, to the ability of the Debtors to preserve their businesses and restructure their indebtedness under the Bankruptcy Code. The continued liquidity to be provided under the DIP Financing Agreement and through the use of Cash Collateral will enable the Debtors to continue to operate their businesses in the ordinary course and preserve their value. Good cause has, therefore, been shown for the relief sought in the Motion.

H. Good Faith. The DIP Financing Agreement has been negotiated in good faith and at arm's-length by and among the Debtors, the DIP Agent and the DIP Lenders. Any DIP Loan and/or other financial accommodations made to the Debtors by the DIP Agent and the DIP Lenders pursuant to the Interim Order and this Final Order and/or the DIP Financing Agreement shall be deemed to have been extended by the DIP Agent and the DIP Lenders in good faith, as that term is used in Bankruptcy Code section 364(e), and the DIP Agent and the DIP Lenders shall be entitled to all protections afforded thereunder. The terms of this Final Order and the DIP Financing Agreement are fair and reasonable, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration. In entering into the DIP Financing Agreement and committing to continue to make the DIP Loan, the DIP Agent and the DIP Lenders are relying on the terms of this Final Order as an integrated whole, including without limitation paragraph 22 hereof.

I. Exigent Circumstances.

(i) The Debtors requested immediate entry of the Interim Order pursuant to Bankruptcy Rules 4001(b)(2) and (c)(2) in order to avoid immediate and irreparable harm to the Debtors, their estates and their businesses. The Motion, the Interim Order, the Amended Interim Order and this Final Order comply with Local Bankruptcy Rule 4001–2. Pursuant to the Interim Order and the Amended Interim Order, this Court authorized the Debtors to borrow up to $10,000,000 (the "Maximum Interim Borrowing") under the DIP Loan to fund the amounts contemplated by the budget and initial approved cash projections attached to the Interim Order as Exhibit A (as such budget may be amended with the consent of the DIP Agent, the "Approved Budget"). The Approved Budget is an integral part of this Final Order and has been relied upon by the DIP Agent, the DIP Lenders and the Prepetition Secured Parties in deciding to consent, or not otherwise object, to the entry of this Final Order.

(ii) This Court concluded that immediate entry of the Interim Order was in the best interests of the Debtors' estates and creditors as its implementation would, among other things, allow for access to the financing necessary for the continued flow of supplies and services to the Debtors necessary to sustain the operation of the Debtors' existing business and further enhance the Debtors' prospects for a successful restructuring.

***5** (iii) This Court further concludes that the Debtors have an immediate and critical ongoing need to obtain post-petition financing under the DIP Loan and to continue to use Cash Collateral in order to, among other things, finance the ordinary costs of their operations, maintain business relationships with vendors, suppliers and customers, make payroll, make capital expenditures, and satisfy other working capital and operational needs. The Debtors continued access to sufficient working capital and liquidity through the incurrence of post-petition financing under the DIP Loan and the continued use of Cash Collateral under the terms of this Final Order is vital to the preservation and maintenance of the going concern value of the Debtors' estates. Consequently, without continued access to the DIP Loan and continued use of Cash Collateral, to the extent authorized pursuant to this Final Order, the Debtors and their estates would suffer immediate and irreparable harm.

Based upon the foregoing findings, acknowledgements, and conclusions, and upon the record made before this Court at the Interim Hearing and the Final Hearing, and good and sufficient cause appearing therefor;

IT IS HEREBY ORDERED:

1. Disposition. The Motion is granted on a final basis, subject to the terms set forth herein. Any objections to the Motion that have not previously been withdrawn or resolved are hereby overruled on their merits. This Final Order shall be valid and binding on all parties-in-interest, and effective immediately upon entry notwithstanding the possible application of Bankruptcy Rules 6003(b), 6004(a), 6004(h), 7062, and 9014. All actions taken in connection with or in reliance on the Interim Order or the Amended Interim Order, as the case may be, are hereby reaffirmed in full as if taken in connection with or in reliance on this Final Order.

2. Authorization. Upon entry of this Final Order, the Debtors are authorized, on a final basis, to: (i) enter into and perform their obligations under that certain Senior Secured Super–Priority Debtor in Possession Credit and Guaranty Agreement dated as of June 11, 2012 (as amended, restated or otherwise modified from time to time in accordance with the terms hereof and thereof, the "DIP Financing Agreement") (an executed copy of the DIP Financing Agreement is attached hereto as Ex. B), by and among Holdings and Systems, as borrowers (in such capacity, the "Borrowers"), certain of the Debtors, as guarantors (the "Guarantors"), Yucaipa American Alliance Fund II, LLC ("Yucaipa") as agent (in such capacity, the "DIP Agent"), and the persons and entities from time to time party thereto as lenders (the "DIP Lenders"); (ii) obtain postpetition delayed draw term loans (the "DIP Loan")[4] under the DIP Financing Agreement in an aggregate principal amount not to exceed $20,000,000; and (iii) use Cash Collateral and the proceeds of the DIP Loan for the purposes set forth on the Approved Budget and subject to the terms and conditions set forth herein and in the DIP Financing Agreement; provided the Debtors shall first use Cash Collateral before using proceeds of the DIP Loan in accordance with the terms of the DIP Financing Agreement; and provided further that, notwithstanding anything to the contrary contained in the DIP Financing Agreement or this Final Order, any claim, demand, obligation or liability for severance or termination compensation or benefits for any employee or officer of any Debtor that arose or accrued before, on or after the Consent Date may be paid by any of the Debtors with proceeds of the DIP Loan or Cash Collateral only with the prior consent of the DIP Agent, which consent may be given or withheld in its sole discretion. The DIP Financing Agreement (including the documents, agreement and instruments described in paragraph 5(a) below) shall constitute legal, valid, and binding obligations of the Debtors, enforceable against the Debtors, their successors and assigns (including, without limitation, any successor trustee or other estate representative in any Chapter 11 Case or subsequent chapter 7 or chapter 11 case (each, a "Successor Case")) in accordance with their terms. The Debtors are hereby authorized to pay (whether through Cash Collateral or the DIP Loan) interest, fees, expenses and any other amounts required or allowed to be paid in accordance with the Interim Order, the Amended Interim Order, this Final Order and/or the DIP Financing Agreement, as applicable.

***6** 3. Termination of Postpetition Credit and Cash Collateral Usage. Notwithstanding anything in this Final Order to the contrary (but without prejudice to any other right of the DIP Agent and/or the DIP Lenders under this Final Order of the DIP Financing Agreement to terminate or suspend their obligation to make the DIP Loan), the DIP Lenders' obligation to make the DIP Loan and the consent of the DIP Agent and the Prepetition Agents to the use of Cash Collateral shall automatically terminate without any further action by this Court, the DIP Agent, any of the Prepetition Secured Parties or any other person or entity, upon the earliest to occur of (the "Termination Date"): (i) the date of final indefeasible payment and satisfaction in full in cash of the DIP Loan and the termination of the loan commitments under the DIP Financing Agreement; (ii) the effective date of any plan of reorganization or liquidation in any of the Chapter 11 Cases; (iii) the consummation of the sale or other disposition of all or substantially all of the assets of the Debtors; and (iv) subject to paragraphs 18(b)iii and 18(d) of this Final Order with respect to the use of Cash Collateral, immediately upon delivery of a Termination Notice (as defined below).

4. Fees and Expenses.

(a) The Debtors shall pay the DIP Agent's and the DIP Lenders' reasonable costs, fees and expenses incurred in connection with the consideration, investigation, negotiation, documentation, consummation, administration, amendment and enforcement of the DIP Loan and any Cash Collateral order and participation in the Chapter 11 Cases (in their capacities as DIP Agent and DIP Lenders), including without limitation, legal, accounting, appraisal, investigation, audit, inspection, insurance, title insurance, and other similar fees and costs (the "DIP Expenses"). Except as set forth in paragraph 4(b) below, the DIP Agent or the professional or firm seeking payment of a DIP Expense (an "Expense Claimant") shall submit a written invoice for any DIP Expense (in summary form, certifying that fees and charges have been incurred in connection with the DIP Financing Agreement, the DIP Loan or the use of Cash Collateral or otherwise in connection with the Interim Order, the Amended Interim Order and/or this Final Order, and setting forth hours, billing rates and timekeepers only and otherwise redacted to preserve privileges) to the Debtors, with a copy to the United States Trustee, counsel for the Debtors, counsel for the Committee and counsel for the Petitioning Creditors. If no written objection stating with specificity the basis for the objection (an "Objection") is received by the DIP Agent or such Expense Claimant within 10 days after delivery of such invoice, the Debtors shall promptly pay such DIP Expense. If an Objection is received by the DIP Agent or such Expense Claimant within such 10–day period, the Debtors shall pay that portion, if any, of the DIP Expense that was not disputed. If the DIP Agent and/or the Expense Claimant are unable consensually to resolve an Objection with the objecting party, then this Court shall determine the disputed portion of such DIP Expense. Except as otherwise set forth in the preceding sentence or as may otherwise be hereafter ordered by the Court, no DIP Expense shall be subject to Court approval or required to be maintained in accordance with the U.S. Trustee Guidelines, and no Expense Claimant shall be required to file any interim or final fee application or request for payment with the Court. To the extent the Debtors fail to pay any undisputed or resolved DIP Expense, the DIP Agent or the Expense Claimant shall be permitted to (i) apply any amounts held in escrow or retainer (whether obtained prior to or after the Consent Date) to such unpaid DIP Expense without further Court approval; and/or (ii) file a motion with this Court seeking an order compelling the Debtors to pay such DIP Expense.

(b) Notwithstanding the foregoing, DIP Expenses payable under Section 10.3 of the DIP Financing Agreement shall be governed solely by the DIP Financing Agreement and shall not be subject to any Objection or the procedures related to an Objection described in paragraph 4(a) above.

***7** 5. Authority to Execute and Deliver Necessary Documents. The Debtors are authorized, on a final basis, to enter into, execute and deliver to the DIP Agent any and all documents, agreements and instruments that are contemplated by, related to or to be delivered pursuant to or in connection with the DIP Financing Agreement or this Final Order or that are reasonably requested by the DIP Agent to evidence or effectuate any of the transactions or other matters contemplated by or set forth in the DIP Financing Agreement or this Final Order, each as may be amended hereafter from time to time (the documents, instruments and agreements referenced in this paragraph 5, collectively, shall be included in the definition of the "DIP Financing Agreement").

6. Amendments, Consents, Waivers, and Modifications. Following notice to the Committee, the Debtors may enter into non-material amendments, waivers or modifications of or consents to the DIP Financing Agreement with the prior written consent of the DIP Agent, which consent shall be granted or withheld in the DIP Agent's sole discretion; provided, however, that any material amendment, waiver, modification or consent shall require the approval of this Court; provided, further that, for avoidance of doubt, the Debtors are authorized pursuant to this Final Order to enter into such amendments as are necessary to conform the DIP Financing Agreement to this Final Order. Copies of all amendments, waivers, modifications, whether or not material, shall be provided by Debtors to counsel to the Petitioning Creditors and counsel to the Committee.

7. DIP Lenders' Superpriority Claims. The DIP Agent, for the benefit of itself and the DIP Lenders, is hereby granted, on a final basis, allowed superpriority administrative expense claims (the "Superpriority Claims") pursuant to Bankruptcy Code section 364(c)(1) for the DIP Loan.

8. Postpetition Liens. To secure the DIP Loan and subject to the provisions of paragraph 10, the DIP Agent is hereby granted, on a final basis, for the benefit of itself and the DIP Lenders, valid, enforceable, non-avoidable and fully perfected, first priority priming liens on and security interests in (collectively, the "Postpetition Liens") all Prepetition Collateral, all other property, assets and interests in property and assets of the Debtors (or any successor trustee or other estate representative in any Chapter 11 Case or Successor Case) and all other "property of the estate (within the meaning of the Bankruptcy Code) of the Debtors (or any successor trustee or other estate representative in any Chapter 11 Case or Successor Case), of any kind or nature whatsoever, real, personal or mixed, tangible or intangible now existing or hereafter acquired or created, including, without limitation, all accounts, inventory, goods, contracts, contract rights, investment property, instruments, documents, chattel paper, patents, trademarks, copyrights, and licenses therefor, all other intellectual property, general intangibles, payment intangibles, rights, interests, intercompany notes and obligations, tax or other refunds, insurance proceeds, letters of credit, letter-of-credit rights, supporting obligations, documents, titled vehicles, machinery and equipment, real property (including all facilities), fixtures, leases (and proceeds from the disposition thereof), all of the (x) issued and outstanding capital stock entitled to vote (within the meaning of Treas. Reg. Section 1.956–2(c)(2)), (y) issued and outstanding capital stock not entitled to vote (within the meaning of Treas. Reg. Section 1.956–2(c)(2)) of each subsidiary of each Debtor and (z) capital stock of all other Persons that are not Subsidiaries directly owned by each Debtor (subject, in the case of (x), (y) and (z), to any express limitations set forth in the DIP Financing Agreement), money, investment property, deposit accounts, all commercial tort claims and other causes of action (other than Avoidance Actions (as defined below) of the Debtors), Cash Collateral, and all cash and non-cash proceeds, rents, products, substitutions, accessions, and profits of any of the collateral described above (collectively, the "Collateral"). Notwithstanding the foregoing or any provisions to the contrary contained in this Final Order or the DIP Financing Agreement, where the DIP Agent has been granted a security interest hereunder in any shares or other equity interests in the capital stock ("ULC Shares") of an issuer that is an unlimited company, unlimited liability company or unlimited liability corporation under the laws of Canada or any of its provinces or political subdivisions (each, a "ULC"), the Debtor that owns such ULC Shares will remain the sole registered and beneficial owner of such ULC Shares until such time as such ULC Shares are effectively transferred into the name of the DIP Agent or any of its successors or assigns (in either case, a "ULC Beneficiary") or any other person or entity on the books and records of the applicable ULC. Nothing in this Final Order or the DIP Financing Agreement is intended to, and nothing in this Final Order or the DIP Financing Agreement shall, constitute the DIP Agent, any other ULC Beneficiary or any other person or entity other than the applicable debtor, a member or shareholder of a ULC for the purposes of the *Companies Act* (Nova Scotia), the *Business Corporations Act* (Alberta), the *Business Corporations Act* (British Columbia) and any other present or future laws governing ULCs (the "ULC Laws") (whether listed or unlisted, registered or beneficial), until such time as notice is given to such Debtor and further steps are taken pursuant hereto or thereto so as to register the DIP Agent, any other ULC Beneficiary or such other person or entity, as specified in such notice, as the holder of the ULC Shares.

***8** 9. Adequate Protection for Prepetition Secured Parties. The Debtors acknowledge and stipulate that the Prepetition Secured Parties are entitled, pursuant to Bankruptcy Code sections 361, 363(e), and 364(d)(1), to adequate protection of their interests in the Prepetition Collateral, including the Cash Collateral, in exchange for the Debtors' use of such Prepetition Collateral, to the extent of the aggregate diminution in value, if any, of, respectively, the Prepetition First Lien Lenders interest in the Prepetition Collateral and the Prepetition Second Lien Lenders' interest in the Prepetition Collateral, including, without limitation, any such diminution resulting from or attributable to, any or all of the Carve–Out, the imposition of the automatic stay, the use of Cash Collateral, any sale, lease or use by the Debtors, physical deterioration, or other decline in value of any other Prepetition Collateral, and the priming of the Prepetition Secured Debt by the Postpetition Liens. As adequate protection, the Prepetition Agents are hereby granted on a final basis (i) valid, enforceable, binding, non-avoidable and fully perfected postpetition security interests and liens (the "Adequate Protection Liens") on all of the Collateral, and (ii) priority superpriority administrative expense claims under section 364(c)(1) of the Bankruptcy Code (the "Adequate Protection Priority Claims").

(a) Without limiting the foregoing, the Prepetition Secured Parties shall have all of the rights accorded to them under sections 503 and 507(b) of the Bankruptcy Code in respect of the adequate protection provided herein.

(b) [Reserved].

(c) The Prepetition Secured Parties have consented, or are deemed to have consented, to the adequate protection and the priming provided for herein; provided, however, that the consent of the Prepetition Secured Parties to the priming, the use of Cash Collateral, and the sufficiency of the adequate protection provided for herein is expressly conditioned upon the entry of this Final Order and such consent shall not be deemed to extend to any other replacement financing or debtor in possession financing other than the DIP Loan; and provided, further, that in the event of the occurrence of the Termination Date, nothing herein shall alter the burden of proof set forth in the applicable provisions of the Bankruptcy Code at any hearing concerning the continued use of Prepetition Collateral (including Cash Collateral) by the Debtors.

10. Perfection and Priority of Liens and Claims: Other Rights.

(a) The Postpetition Liens and, except as otherwise set forth in this Final Order, the Adequate Protection Liens shall not at any time be made subject or subordinate to, or made *pari passu* with, any other lien, security interest or claim existing as of the Consent Date, or created under Bankruptcy Code sections 363 or 364(d). Notwithstanding the provisions in this paragraph and paragraphs 5, 8 and 9, the Postpetition Liens and Adequate Protection Liens shall remain subject to the valid, perfected, ~~enforceable~~ and non-avoidable liens that are senior to the liens held by the Prepetition Secured Parties under the Prepetition First Lien Loan Agreement (the "Existing Priority Liens") and the Carve–Out. [5] In furtherance of the foregoing, the Postpetition Liens and the Adequate Protection Liens shall at all times be senior to, among other things, (i) the rights of the Debtors in any Chapter 11 Cases and any successor trustee or other estate representative in any Chapter 11 Case or Successor Case, (ii) the liens and security interests of any party holding prepetition liens or security interests junior or subordinate to the Prepetition Lender Liens, (iii) any intercompany claim of or against any Debtor, and (iv) any prepetition lien that is determined to be avoidable pursuant to sections 544, 545, 547, 548, 551 and/or 553 of the Bankruptcy Code or otherwise; provided, however, the Adequate Protection Liens shall be junior and subordinate in all respects to the Postpetition Liens, and the Adequate Protection Liens of the Prepetition Second Lien Agent shall be junior and subordinate in all respect to the Adequate Protection Liens of the Prepetition First Lien Agent.

***9** (b) Except as otherwise expressly set forth in this subparagraph (b), the Superpriority Claims and the Adequate Protection Priority Claims shall have priority over any and all other administrative claims against the Debtors or their estates (whether in the Chapter 11 Cases or in any Successor Case), now existing or hereafter arising, of any kind whatsoever, including, without limitation, all administrative expenses of the kinds specified in or arising or ordered under Bankruptcy Code sections 105(a), 326, 328, 330, 331, 503(b), 506(c), 507, 546(c), 726, 1113, and 1114 or otherwise, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment; provided, that (i) the Superpriority Claims and the Adequate Protection Priority Claims shall be subject and subordinate to the payment of the Carve–Out, (ii) the Superiority Claims shall be payable from and have recourse to all prepetition and postpetition property of the Debtors and all proceeds thereof other than any proceeds or property recovered solely on account of claims or causes of action arising under chapter 5 of the Bankruptcy Code, if any, including any federal or state fraudulent transfer law cause of action incorporated by section 544, (the "Avoidance Actions"), (iii) the Adequate Protection Priority Claims shall be payable from and have recourse to all prepetition and postpetition property of the Debtors and all proceeds thereof including, without limitation, any proceeds or property recovered in connection with or on account of any Avoidance Actions, (iv) except with respect to proceeds and property recovered solely on account of Avoidance Actions, the Adequate Protection Priority Claims shall be subject and subordinate to the Superpriority Claims, and (v) the Adequate Protection Priority Claims of the Prepetition Second Lien Agent and the Prepetition Second Lien Lenders shall be subject and subordinate to the Adequate Protection Priority Claims of the Prepetition First Lien Agent and the Prepetition First Lien Lenders. In furtherance and not in limitation of the foregoing, the Superpriority Claims and the Adequate Protection Claims shall at all times be senior

to, among other things, (x) the rights of the Debtors in the Chapter 11 cases and any successor trustee or other estate representative in any Chapter 11 case or successor case, and (y) any intercompany claim of or against any Debtor.

(c) No liens, claims, interests or priority status (other than with respect to the Carve–Out and the Existing Priority Liens as described herein), having, as applicable, a lien or administrative priority superior to or *pari passu* with that of the Postpetition Liens, the Superpriority Claims, the Adequate Protection Liens or the Adequate Protection Priority Claims granted by this Final Order, and no liens on or with respect to the Avoidance Actions or the proceeds or property recovered on account thereof shall be granted while any portion of the DIP Loan or the Prepetition Secured Debt remains outstanding, or any loan commitment under the DIP Financing Agreement or Prepetition Loan Documents remains in effect, without the prior Liens of the Prepetition Second Lien Agent; and (ii) no defect in any such act shall affect or impair the validity, perfection, enforceability or priority of the liens granted hereunder.

(f) In lieu of obtaining or filing any Non–Bankruptcy Lien Document, each of the DIP Agent and the Prepetition Agents may, but shall not be obligated to, file a true and complete copy of this Final Order in any place at which any such Non–Bankruptcy Lien Document would or could be filed, together with a description of Collateral or Prepetition Collateral, as applicable, and any such filing by the DIP Agent or a Prepetition Agent shall have the same effect as if such Non–Bankruptcy Lien Document had been filed or recorded immediately upon entry of the Interim Order.

(g) The Postpetition Liens, Superpriority Claims, and other rights and remedies granted under this Final Order to the DIP Agent shall continue in the Chapter 11 Cases and in any Successor Case, and such Postpetition Liens, Superpriority Claims, and other rights and remedies shall maintain their respective priorities as provided in this Final Order until the DIP Loan has been indefeasibly paid in full and completely satisfied and the DIP Lenders' commitments have been terminated in accordance with the DIP Financing Agreement.

(h) The DIP Agent, for and on behalf of the DIP Lenders, shall have the right to "credit bid" the allowed amount of the DIP Loan during any sale of any of the Debtors' assets pledged as Collateral, including without limitation in connection with any sale pursuant to section 363 of the Bankruptcy Code or included as part of a plan of reorganization subject to confirmation under section 1129(b)(2)(A)(iii) of the Bankruptcy Code.

***10** 11. Carve–Out.

(a) The Borrowers shall make deposits into the Professional Fee Reserve (as defined in the DIP Financing Agreement) on or prior to the fifth day and on the twentieth day of every month from which withdrawals shall be taken for the payment of professional fees in accordance with the DIP Financing Agreement. From and after the date of the Termination Notice (as defined below), amounts withdrawn from the Professional Fee Reserve may only be applied to pay fees covered by the Carve–Out (as defined below). Upon the occurrence and during the continuation of an Event of Default, [6] payments on account of the Postpetition Liens and the Superpriority Claims shall be subject and subordinate only to payment of: (i) any amounts payable pursuant to 28 U.S.C. § 1930(a)(6) and to the clerk of the Bankruptcy Court (it being understood that any such amount shall not be subject to any of the caps set forth in this paragraph 11(a)); (ii) allowed and unpaid fees and expenses that are owed to the attorneys, accountants and other professionals retained in the Chapter 11 Cases by the Debtors pursuant to Bankruptcy Code sections 327, 328, 330, 331, 363, 503 or 1103 (collectively, the "Debtor Professionals") (x) incurred from the Consent Date to the date of notice (such notice, the "Termination Notice") from the DIP Agent to the Debtors and the Committee that an Event of Default has occurred (such fees and expenses, whether allowed before or after the Termination Notice, the "Debtors' Pre–Termination Allowed Fees," and including, without limitation, any monthly fees and any completion fee (the "Rothschild Completion Fee") earned by Rothschild, Inc. prior to the Termination Notice) in an amount of up to (but no more than) $1,400,000 in the aggregate excluding the Rothschild Completion Fee (the "Debtors' Pre–Termination Expense Cap"); and (y) incurred after the date of the Termination Notice, the "Debtors' Post–Termination Allowed Fees" (such period, the "Post–Termination Notice Period") in an amount of up to (but no more than) $200,000 in the aggregate (the "Debtors' Post–Termination Expense Cap," and such cap together with the Debtors' Pre–Termination Expense

Cap, the "Debtor Professional Expense Cap"); (iii) subject to paragraph 12(c), allowed and unpaid fees and expenses that are owed to the attorneys, accountants and other professionals retained in the Chapter 11 Cases by the Committee pursuant to Bankruptcy Code sections 328, 330, 331, 363, 503 or 1103 (collectively, the "Committee Professionals," and together with the Debtor Professionals, the "Estate Professionals") (x) incurred from the Consent Date to the date of the Termination Notice (such fees and expenses, whether allowed before or after the Termination Notice, the "Committee's Pre–Termination Allowed Fees," and together with the Debtor's Pre–Termination Allowed Fees, the "Pre–Termination Allowed Fees") in an amount of up to (but no more than) $745,250 in the aggregate (the "Committee Pre–Termination Expense Cap") and (y) incurred during the Post–Termination Notice Period (the "Committee's Post–Termination Allowed Fees," and together with the Debtors Post–Termination Allowed Fees, the "Post–Termination Allowed Fees"), in an amount of up to (but no more than) $100,000 in the aggregate the "Committee Post–Termination Expense Cap," and together with the Committee Pre–Termination Expense Cap, the "Committee Expense Cap"); and (iv) allowed and unpaid fees of the information officer designated pursuant to the Canadian Supplemental Order (as defined in the DIP Financing Agreement) that are incurred from the Consent Date to the date of delivery of the Termination Notice. The fees and expenses described in clauses (i) through (iv) of the preceding sentence are referred to herein as the "Carve–Out."

***11** (b) Notwithstanding anything to the contrary in paragraph 11(a), the Debtor Professional Expense Cap and the Committee Professional Expense Cap shall be reduced on a dollar-for-dollar basis by the amount of any retainers held by, respectively, the Debtors' professional and the Committee's professionals as of the date of the Termination Notice. In addition, for purposes of the Carve–Out, Allowed Professional Fees (i) shall include only those fees and expenses that are owed pursuant to the terms of the applicable Estate Professional's engagement letter or other agreement of engagement and (ii) shall not include any success fee, transaction fee, or other similar fee whether or not set forth in such Estate Professional's engagement letter or other agreement other than as expressly set forth in paragraph 11(a). Following the delivery of a Termination Notice, (w) any payment made to any Estate Professional from any source on account of Allowed Professional Fees shall reduce the Carve–Out (and to the extent made on account of a Post–Termination Allowed Fee, the Debtor written consent of the DIP Agent, the Prepetition First Lien Agent and, subject to the terms of the Prepetition Intercreditor Agreement, the Prepetition Second Lien Agent.

(d) The Postpetition Liens and the Adequate Protection Liens shall be and hereby are effective, binding and perfected immediately upon entry of this Final Order without further action by any of the Debtors, the other grantors, the DIP Agent, the DIP Lenders or the Prepetition Secured Parties. None of the Debtors, the DIP Agent, the DIP Lenders or the Prepetition Secured Parties shall be required to enter into, obtain, file or record, as applicable, any mortgage, security agreement, pledge agreement, financing agreement, financing statement, deed of trust, leasehold mortgage, notice of lien or similar instrument (including any trademark, copyright, trade name or patent assignment filing with the United States Patent and Trademark Office, Copyright Office or any similar agency with respect to intellectual property, or any filing with any other federal agency/authority), landlord waiver, mortgagee waiver, bailee waiver, warehouseman waiver, licensor consent, or other filing, consent, agreement or instrument (each, a "Non–Bankruptcy Lien Document") in any jurisdiction to the fullest extent allowed by law, such that no additional steps need be taken by the DIP Agent, the DIP Lenders or any of the Prepetition Secured Parties to evidence or perfect the Postpetition Liens or Adequate Protection Liens or establish the priority or realize the benefit thereof (except as otherwise expressly set forth in this Final Order).

(e) Each of the DIP Agent and the Prepetition Agents may, but shall not be obligated to, enter into, obtain, file or record any Non–Bankruptcy Lien Document that it deems in its sole discretion to be necessary or desirable, in which case: (i) all such documents shall be deemed to have been recorded and filed immediately upon entry of the Interim Order; provided, however, that any documents evidencing the Postpetition Liens shall be deemed to have been recorded and filed immediately prior to any documents evidencing Adequate Protection Liens, and the Adequate Protection Liens of the Prepetition First Lien Agent shall be deemed to have been recorded and filed immediately prior to the documents evidencing any Adequate Protection Professional Fee Cap or the Committee Professional Fee

Cap, as applicable) on a dollar-for-dollar basis, (x) any payment made to, respectively, any Debtor Professional or any Committee Professional from any source on account of the Debtors' Pre–Termination Allowed Fees or the Committee's Pre–Termination Allowed Fees shall reduce, as applicable, the Debtor Pre–Termination Fee Cap or the Committee Pre–Termination Expense Cap on a dollar-for-dollar basis, (y) any payment made to, respectively, any Debtor Professional or any Committee Professional from any source on account of any Post–Termination Allowed Fees shall reduce, as applicable, the Debtor Post–Termination Expense Cap or the Committee Post–Termination Expense Cap on a dollar-for-dollar basis, and (z) no Allowed Professional Fee shall be paid from the proceeds of the DIP Loan or Collateral (including Cash Collateral) to any Estate Professional holding a retainer until such time as that retainer has been reduced to zero by application of such retainer to the Allowed Professional Fees of such Estate Professional.

***12** (c) Except for Committee Challenge Fees (as defined below), no portion of the Carve–Out may be used for any Challenge Action (as defined below).

12. Challenge Period and Investigation Rights.

(a) Proceeds of the DIP Loan, the Collateral and the Prepetition Collateral (including, without limitation, Cash Collateral) shall not be used by any person or entity, including the Debtors (or any successor trustee or other estate representative in any Chapter 11 Case or Successor Case), but excluding the Committee subject to the limitations set forth below, in connection with the investigation, pursuit or assertion of, or joinder in, any claim, cause of action, defense, counterclaim, proceeding, application, motion, objection, defense or other contested matter or discovery against any of the DIP Agent, the DIP Lenders or the Prepetition Secured Parties (or any officers, directors, employees, agents, representatives, legal advisors and attorneys, financial advisors and accountants, consultants, other professionals, members, managers, partners, shareholders, owners, subsidiaries, predecessors in interest or affiliates of each the foregoing (collectively, the "Related Parties")), the purpose of which is to seek, or the result of which would be, to obtain any order, judgment, determination, declaration or similar relief: (x) invalidating, setting aside, avoiding, recharacterizing or subordinating, in whole or in part, any claim, indebtedness, liens and/or security interests of any of the DIP Agent, the DIP Lenders or the Prepetition Secured Parties; (y) objecting to or commencing any action that prevents or affirmatively delays the exercise by any of the DIP Agent, the DIP Lenders or the Prepetition Secured Parties of any of their respective rights and remedies under any agreement or document or the Interim Order, the Amended Interim Order or this Final Order; or (z) seeking any affirmative legal or equitable remedy against any of the DIP Agent, the DIP Lenders or the Prepetition Secured Parties.

(b) Notwithstanding anything herein to the contrary, the Committee and other non-Debtor parties-in-interest (including without limitation, the Pension Benefit Guaranty Corporation) shall have the right to file a complaint pursuant to Bankruptcy Rule 7001, or assert (through appropriate filings with the Court) a setoff, claim, offset or defense that seeks to invalidate, subordinate, recharacterize or otherwise challenge any of the Prepetition Lender Liens, Prepetition Secured Claims or the actions taken by any Prepetition Secured Party in its capacity as such (a "Challenge Action"); provided, however, that (i) any Challenge Action by any non-Debtor parties-in-interest other than the Committee and any Challenge Action by the Committee or the Petitioning Creditors challenging the perfection of any lien must be brought on or before the later to occur of (A) seventy-five (75) days after the Consent Date and (B) sixty (60) days after the formation of the Committee, and (ii) all other Challenge Actions by the Committee or the Petitioning Creditors must be brought no later than (150) days after the formation of the Committee (collectively, the "Challenge Period"). If no Challenge Action is filed before the end of the applicable Challenge Period, the Committee, all holders of claims and interests and all other parties-in-interest shall be forever barred from bringing or taking any Challenge Action on behalf of themselves, the Debtors or these estates, and the Debtors' stipulations made in paragraph D, above and the release (as set forth below in paragraph 13) shall be binding on all parties-in-interest. If a Challenge Action is timely brought on or before the expiration of the applicable Challenge Period (such date, the "Challenge Period Termination Date"), only those causes of action, claims, offsets, setoff and defenses expressly included in such Challenge Action shall be preserved, and any and all other Challenge Actions and any causes of action, claims, offsets, setoffs and defenses not expressly brought during the Challenge Period in such Challenge Action shall be forever barred. Nothing

in this Final Order vests or confers on any entity (as such term is defined in the Bankruptcy Code), including the Committee or any other statutory committee appointed in the Chapter 11 Cases, standing or authority to pursue any cause of action belonging to the Debtors or their estates; provided, however, in the event that the Committee, or the Petitioning Creditors, as applicable prior to the Challenge Period Termination Date, files a motion with the Court seeking standing to bring a Challenge Action (a "Standing Motion"), which motion sets forth with specificity the claims and causes of action that the Committee or the Petitioning Creditors, as applicable, intend to bring in such Challenge Action (the "Specified Challenges"), then the Challenge Period Termination Date only with respect to the Committee or the Petitioning Creditors, as applicable (and no other entity) and only with respect to the Specified Challenges will be tolled until five (5) days after the date on which the Court enters an order granting or denying the Standing Motion.

***13** (c) In the event of a timely and successful Challenge Action, this Court shall fashion the appropriate remedy with respect to the applicable Prepetition Secured Party(ies). For avoidance of doubt, the foregoing shall not preclude (i) the Petitioning Creditors from continuing to prosecute that certain action entitled *BDCM Opportunity Fund II, LP, et al. v. Yucaipa American Alliance Fund I, LP, et al.,* filed January 18, 2012 and pending in the Supreme Court of the State of New York for the County of New York (the "Petitioning Creditor Action") or (ii) Yucaipa from asserting any claims, crossclaims or counterclaims against any of the Petitioning Creditors.

(d) The Committee shall be permitted to spend up to (but no more than) $80,000 in the aggregate of proceeds of the DIP Loan and Cash Collateral in investigating, taking discovery with respect to, filing and prosecuting any and all Challenge Actions (the "Committee Challenge Fees").

(e) If a trustee is appointed pursuant to Bankruptcy Code section 702 or 1104 prior to the end of the then-extant Challenge Period, the trustee shall have until the later of the end of the Challenge Period and 10 days after his or her appointment to file any Challenge Action. The appointment of a trustee shall not extend the Challenge Period for any other party.

(f) The Challenge Period may be extended by the Court by (i) motion filed prior to the Challenge Period Termination Date and upon notice and a showing of good cause, or (ii) by stipulation by the DIP Agent and the Prepetition First Lien Agent in their respective sole discretion.

13. Releases.

(a) Subject to the rights set forth in paragraph 12 above, the Debtors, on behalf of themselves and their estates (including any successor trustee or other estate representative in any Chapter 11 Case or Successor Case), forever and irrevocably (i) release, discharge, and acquit the DIP Agent, each of the DIP Lenders, in their capacity as DIP Lenders, and each of their respective former, current or future Related Parties, solely in each of their capacity as such, of and from any and all claims, demands, liabilities, responsibilities, disputes, remedies, causes of action, indebtedness, and obligations, of every type, including, without limitation, any so-called "lender liability" or equitable subordination claims or defenses, with respect to or relating to the negotiation and execution of the DIP Financing, the Interim Order, the Amended Interim Order, this Final Order and/or the negotiation of the terms hereof or thereof and (ii) waive any and all defenses (including, without limitation, offsets and counterclaims of any nature or kind) as to the validity, perfection, priority, enforceability and nonavoidability of the Postpetition Liens and Superpriority Claims.

(b) Subject to the rights set forth in paragraph 12 above, the Debtors, on behalf of themselves and their estates (including any successor trustee or other estate representative in any Chapter 11 Case or Successor Case), forever and irrevocably (i) release, discharge, and acquit each of Prepetition Secured Parties, in its capacity as such, and each of its respective former, current or future Related Parties, each in its capacity as such, of and from any and all claims, demands, liabilities, responsibilities, disputes, remedies, causes of action, indebtedness, and obligations, of every type, including, without limitation, any so-called "lender liability" or equitable subordination claims or defenses, with respect to or relating, as applicable, to the Prepetition Secured Debt, the Prepetition Lender Liens, the Prepetition Loan Documents, the Debtors attempts to restructure the Prepetition Secured Debt, any and all claims and causes of action arising under title 11 of the United States Code, and any and all claims regarding the validity, priority, perfection or avoidability of the Prepetition Lender Liens or any secured or unsecured claims arising from the Prepetition Secured Debt, and (ii)

waive any and all defenses (including, without limitation, offsets and counterclaims of any nature or kind) as to the validity, perfection, priority, enforceability and nonavoidability of any of the Prepetition Secured Debt and the Prepetition Lender Liens.

***14** 14. Limitation on Additional Surcharges. No action, inaction or acquiescence by any of the DIP Agent, the DIP Lenders and the Prepetition Secured Parties, including funding the Debtors' ongoing operations under this Final Order, shall be deemed to be, or shall be considered as evidence of, any alleged consent by any of the DIP Agent, the DIP Lenders or the Prepetition Secured Parties to a charge against the Collateral or the Prepetition Collateral pursuant to Bankruptcy Code sections 105(a), 506(c) and 552(b), and no such costs, fees or expenses shall be so charged against the Collateral or Prepetition Collateral without the prior written consent of the DIP Agent (in the case of the Collateral) and the Prepetition First Lien Agent (in the case of the Prepetition Collateral), such consent to be granted or withheld in the respective party's sole and absolute discretion. The DIP Agent, the DIP Lenders and the Prepetition Secured Parties shall not be subject in any way whatsoever to the equitable doctrine of "marshaling" or any similar doctrine with respect to, as applicable, the Collateral or the Prepetition Collateral. In addition, without limiting the foregoing, the Prepetition Secured Parties shall each be entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and the "equities of the case" exception under section 552(b) of the Bankruptcy Code. shall not apply to the Prepetition Secured Parties with respect to proceeds, product, offspring or profits of any of the Prepetition Collateral.

15. Application of Collateral Proceeds.

(a) To the extent required by this Final Order or the DIP Financing Agreement, after the occurrence of an Event of Default and until such time as the DIP Loan has been repaid in full in cash, the Debtors are hereby authorized to remit to the DIP Agent, for the benefit of the DIP Lenders, one-hundred percent (100%) of all collections on, and proceeds of, the Collateral, including as a result of sales in and outside the ordinary course of business, and all other cash or cash equivalents which shall at any time on or after the Consent Date come into the possession or control of the Debtors (whether from sales, licenses, condemnation and casualty events or other transfers of assets), or to which the Debtors shall become entitled at any time, and the automatic stay provisions of Bankruptcy Code section 362 are hereby modified to permit the DIP Agent and the DIP Lenders to retain and apply all collections, remittances, and proceeds of the Collateral in accordance with this Final Order and the DIP Financing Agreement to the DIP Loan, first to fees, costs and expenses owed under the DIP Financing Agreement (including the Carve–Out), then to interest, and then to principal.

(b) Pursuant to the DIP Financing Agreement, net cash proceeds from any sale, transfer or other disposition of asserts or property (other than inventory in the ordinary course of business) by the Debtors and the other credit parties shall be promptly paid to the DIP Agent and applied to the repayment of the DIP Loan.

16. Access to Collateral; Reports and Other Information.

(a) Notwithstanding anything contained herein to the contrary, and without limiting any other rights or remedies of the DIP Agent contained in this Final Order or the DIP Financing Agreement, or otherwise available at law or in equity, upon five (5) business days' written notice to the Debtors, the U.S. Trustee, counsel to the Committee, counsel to the Petitioning Creditors, and any landlord, lienholder, licensor or other third party owner of any leased or licensed premises or intellectual property that an Event of Default has occurred and is continuing, the DIP Agent may, unless otherwise provided in any separate agreement by and between the applicable landlord or licensor and the DIP Agent (the terms of which shall be reasonably acceptable to the parties thereto), enter upon any leased or licensed premises of the Debtors for the purpose of exercising any remedy with respect to Collateral located thereon and shall be entitled to all of the Debtors' rights and privileges as lessee or licensee under the applicable license and to use any and all trademarks, trade names, copyrights, licenses, patents or any other similar assets of the Debtors, which are owned by or subject to a lien of any third party and which are used by Debtors in its businesses without interference from lienholders or licensors thereunder, subject to such lienholders or licensors rights under applicable law. Nothing herein shall require the Debtors, the DIP Agent or the DIP Lenders to assume any lease or license under Bankruptcy Code Section 365 as a condition

to the rights afforded to the DIP Agent and the DIP Lenders in this paragraph.

***15** (b) The Debtors (and/or their legal or financial advisors) shall cooperate, confer with, and deliver to the DIP Agent and DIP Lenders (and their respective legal and financial advisors), all financial reports, budgets, forecasts, and all other legal or financial documentation, pleadings, and/or filings (together, the "Documentation") that are required to be provided to the DIP Agent, the DIP Lenders, and/or the DIP Agent's legal and financial advisors pursuant to the DIP Financing Agreement or are reasonably requested by any of them. The Debtors shall further deliver to the Petitioning Creditors, CIT, and to counsel to the Committee (or their respective legal and financial advisors), subject in each case to the execution of a non-disclosure or confidentiality agreement satisfactory to the Debtors or Debtors' satisfaction with any other duty of confidentiality owed by such person or entity, all Documentation required to be provided to the DIP Agent or DIP Lenders pursuant to the DIP Financing Agreement (including without limitation Section 5.1 thereof).

17. Cash Management Systems. The Debtors are authorized and directed to maintain their cash management system in a manner consistent with the DIP Financing Agreement, this Final Order, and the order of this Court approving the maintenance of the Debtors' cash management system, provided, however, that such order is on terms and conditions acceptable to the DIP Agent and such order is not inconsistent with the terms specified herein and/or the DIP Financing Agreement.

18. Automatic Stay Modified.

(a) The automatic stay is modified as to the DIP Agent, the DIP Lenders and the Prepetition Secured Parties to allow implementation of the provisions of this Final Order without further notice or order of the Court. The automatic stay is also modified as to the Debtors, the DIP Agent and the DIP Lenders to allow any and all actions necessary or desirable to seek recognition of the Chapter 11 Cases in Canada and to take any and all actions necessary or desirable to enforce or implement any orders entered by any Canadian court in connection therewith, including, without limitation, filing any registration to preserve or perfect any existing or future security interest or in connection with the charges created under the Interim Order, the Amended Interim Order, this Final Order or registering any existing or future claim for any lien.

(b) In addition to the foregoing, but subject to the provisions of subparagraphs (c), (d) and (e) hereof, the automatic stay provisions of Bankruptcy Code section 362 hereby are, to the extent applicable, vacated, and modified on a final basis to the extent necessary to allow the DIP Agent and DIP Lenders:

i. whether or not an Event of Default has occurred, to require all cash, checks or other collections or proceeds from Collateral received by the Debtors to be deposited in accordance with the requirements of the DIP Financing Agreement, and to apply any amounts so deposited and other amounts paid to or received by any DIP Agent or the DIP Lenders in accordance with any requirements of the DIP Financing Agreement;

ii. upon the occurrence of an Event of Default and after giving five (5) business days' prior written notice (the "Waiting Period") to the Debtors and their counsel, counsel to the Committee, counsel to the Prepetition First Lien Agent, counsel to the Petitioning Creditors and the United State Trustee of the DIP Lenders' decision to exercise rights and remedies provided for in the DIP Financing Agreement, this Final Order or under other applicable bankruptcy and nonbankruptcy law (including the right to setoff funds in accounts maintained by the Debtors with any of the DIP Lenders or the DIP Agent to repay the DIP Loan), to exercise such rights and remedies without further notice to or approval of the Court or any other party in interest; provided, however, that the DIP Agent and/or DIP Lenders shall not be entitled to relief from stay to take possession of or foreclose on any Collateral on account of an Event of Default under Section 8.1(s), 8.1(t) or 8.1(z) of the DIP Financing Agreement except pursuant to a further order of this Court; and

***16** iii. immediately upon the occurrence of an Event of Default, without providing any prior notice thereof, (A) the DIP Agent, for the benefit of the DIP Lenders, may charge interest at the default rates pursuant to the DIP Financing Agreement, (B) neither the DIP Agent nor any of the DIP Lenders shall have any further obligation to provide financing under the DIP Financing Agreement, this Final Order or otherwise, or to permit release to

the Debtors of proceeds of loans that were previously funded, and may, in their sole discretion, terminate all commitments with respect to the DIP Loan, and (C) after the expiration of the Waiting Period and subject to the provision of this paragraph 18 (b) hereof, terminate the Debtors' authorization to use Cash Collateral;

(c) During the Waiting Period, the Debtors shall not use any Cash Collateral or any DIP Loan proceeds to pay any expenses except those expressly set forth in the Approved Budget.

(d) Notwithstanding anything to the contrary contained in this paragraph 18, the Debtors' authorization to use Cash Collateral shall automatically terminate fifteen (15) days after the occurrence of an Event of Default under Section 8.1(s), 8.1(t) or 8.1(z) of the DIP Financing Agreement unless either (i) such authorization is extended by further order of this Court after notice to the DIP Agent and the Prepetition First Lien Agent and a hearing or (ii) the DIP Agent and Prepetition First Lien Agent consent in writing (which consent may be given or withheld in each of their sole discretion) to the continued use of Cash Collateral. During such fifteen (15) day period, and subject to paragraph 11(a) and 12(d), the Debtors shall not use any Cash Collateral or any DIP Loan proceeds to pay any fees or expenses of any Estate Professional or any expenses not expressly set forth in the Approved Budget.

(e) This Court shall retain jurisdiction to hear and resolve any disputes and enter any orders required by the provisions of this Final Order and relating to the application, re-imposition or continuance of the automatic stay of Bankruptcy Code section 362(a), use of Cash Collateral, or other injunctive relief requested.

19. Prepetition Intercreditor Agreement. Pursuant to Bankruptcy Code section 510, the Prepetition Intercreditor Agreement shall remain in full force and effect in the Chapter 11 Cases and in any subsequent proceedings under the Bankruptcy Code, including, without limitation, a Successor Case. Notwithstanding anything to the contrary contained in this Final Order, the Prepetition Lender Liens, the Adequate Protection Liens and the Adequate Protection Priority Claims shall be subject to the terms of the Prepetition Intercreditor Agreement. Notwithstanding anything to the contrary contained herein or in the DIP Financing Agreement, all rights and obligation of the Prepetition Secured Parties and the Debtors under the Prepetition Intercreditor Agreement (including, without limitation, Section 2 of the Prepetition Intercreditor Agreement) are hereby expressly reserved.

20. Successors and Assigns. The DIP Financing Agreement and the provisions of this Final Order shall be binding upon the Debtors, the DIP Agent, the DIP Lenders and the Prepetition Secured Parties and each of their respective successors and assigns, and shall inure to the benefit of the Debtors, the DIP Agent, the DIP Lenders and the Prepetition Secured Parties, and each of their respective successors and assigns including, without limitation, any trustee, responsible officer, estate administrator or representative, or similar person appointed in a case for any of the Debtors under any chapter of the Bankruptcy Code. Without limiting the foregoing and for the avoidance of doubt, and except as set forth in the Prepetition Intercreditor Agreement, the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall have no obligation to permit the use of Cash Collateral or other proceeds of Collateral or extend any financing to any chapter 7 trustee or any other estate representative or representative appointed for any of the Debtors' estates.

***17** 21. Binding Nature of Agreement. The rights, remedies, powers, privileges, liens, and priorities of the DIP Agent and the DIP Lenders provided for in this Final Order and in the DIP Financing Agreement shall not be modified, altered or impaired in any manner by any subsequent order (including a confirmation order), by any plan of reorganization or liquidation in the Chapter 11 Cases, by the dismissal or conversion of the Chapter 11 Cases or in any Successor Case under the Bankruptcy Code without the consent of the DIP Agent unless the DIP Loan has first been indefeasibly paid in full in cash and completely satisfied and the commitments terminated in accordance with this Final Order and the DIP Financing Agreement. Except to the extent permitted or required herein or by the Prepetition Intercreditor Agreement, the rights, remedies, powers, privileges, liens, and priorities of the Prepetition Secured Parties granted herein shall not be modified, altered or impaired in any manner by any subsequent order (including a confirmation order), by any plan of reorganization or liquidation in the Chapter 11 Cases, by the dismissal or conversion of the Chapter 11 Cases or in any Successor Case.

22. Subsequent Reversal or Modification. This Final Order is entered pursuant to Bankruptcy Code section 364 and Bankruptcy Rules 4001(b) and (c), granting the DIP Agent, the DIP Lenders and the Prepetition Secured Parties, on a final basis, all protections afforded by Bankruptcy Code section 364(e). If any or all of the provisions of the Interim Order, the Amended Interim Order or this Final Order are hereafter reversed, modified, vacated or stayed (whether on appeal or otherwise), that action will not affect (i) the validity of any obligation, indebtedness or liability incurred hereunder by the Debtors to the DIP Agent, the DIP Lenders and the Prepetition Secured Parties, as applicable, prior to the date of receipt by the DIP Agent, the DIP Lenders and the Prepetition Secured Parties of written notice of the effective date of such action, (ii) any fees, costs, expenses and other amounts earned by and/or paid to the DIP Agent and the DIP Lenders pursuant to the Interim Order, the Amended Interim Order, this Final Order or the DIP Financing Agreement prior to the date of receipt by the DIP Agent and the DIP Lenders of written notice of the effective date of such action, (iii) the validity and enforceability of any lien, claim or priority authorized or created under the Interim Order, the Amended Interim Order, this Final Order or pursuant to the DIP Financing Agreement, or (iv) the ability to enforce any rights or remedies contained herein. Notwithstanding any such reversal, stay, modification or vacatur, any postpetition indebtedness, obligation or liability incurred by the Debtors to any of the DIP Agent, the DIP Lenders or the Prepetition Secured Parties prior to written notice to the DIP Agent, the DIP Lenders and the Prepetition Secured Parties of the effective date of such action, shall be governed in all respects by the original provisions of this Final Order and the DIP Financing Agreement, as applicable, and the DIP Agent, the DIP Lenders and the Prepetition Secured Parties shall be entitled to all the rights, remedies, privileges, and benefits granted herein and, as to the DIP Agent and the DIP Lenders, in the DIP Financing Agreement with respect to all such indebtedness, obligations or liability.

23. Restriction on Use of Lender's Funds. Except with respect to the Committee Challenge Fees, no proceeds from the DIP Loan, Collateral, Cash Collateral (including any prepetition retainer funded with Prepetition Secured Debt), or Prepetition Collateral or the Carve–Out may be used by the Debtors, the Committee, any trustee or other estate representative appointed in any Chapter 11 Case or Successor Case or any other person or entity to: (a) seek or obtain postpetition loans or other financial accommodations pursuant to Bankruptcy Code section 364(c) or (d), or otherwise, other than from the DIP Lenders, except for the purpose of indefeasible repayment of the DIP Loan in full and in cash; or (b) investigate any Challenge Actions (as outlined in paragraph 12 above).

***18** 24. Collateral Rights. In the event that any party who has both received notice of the Final Hearing and holds a lien or security interest in Collateral or Prepetition Collateral that is junior and/or subordinate to any of the Postpetition Liens, the Adequate Protection Liens or the Prepetition Lender Liens in such Collateral or Prepetition Collateral receives or is paid the proceeds of such Collateral or Prepetition Collateral, or receives any other payment with respect thereto from any other source, prior to indefeasible payment in full in cash and the complete satisfaction of (i) the DIP Loan under the DIP Financing Agreement and termination of the loan commitments thereunder in accordance with the DIP Financing Agreement and (ii) the Prepetition Secured Debt under the Prepetition Loan Documents, such junior or subordinate lienholder shall be deemed to have received, and shall hold, the proceeds of any such Prepetition Collateral or other Collateral in trust for the DIP Agent, DIP Lenders and the Prepetition Secured Parties (subject to the terms of the Prepetition Intercreditor Agreement), and shall immediately turnover such proceeds for application, in the following order: (a) to the DIP Agent for application to the DIP Loan under the DIP Financing Agreement until paid in full in cash; (b) to the Prepetition First Lien Agent for application to the Prepetition First Lien Debt under the Prepetition First Lien Loan Documents until paid in full in cash; and (c) to the extent such payment consists solely of Prepetition Second Lien Collateral, to the Prepetition Second Lien Agent for application to the Prepetition Second Lien Debt under the Prepetition Second Lien Loan Agreement until paid in full in cash.

25. Plan of Reorganization or Liquidation. No plan of reorganization or liquidation may be confirmed in any of these Chapter 11 Cases unless, in connection and concurrently with the effective date of such plan, the plan provides for the indefeasible payment in full, in cash, and in complete satisfaction of the DIP Loan, and the loan commitments under the DIP Financing Agreement and

this Final Order are terminated on or before the effective date of such plan.

26. Sale/Conversion/Dismissal. Unless otherwise agreed by the DIP Agent, neither the Debtors nor any trustee will file a motion seeking a sale of all or substantially all of the assets of the Debtors under Bankruptcy Code section 363 (a "363 Substantial Asset Sale") unless (i) the proceeds of such sale are used to indefeasibly pay in full and completely satisfy in cash the DIP Loan and (ii) the loan commitments under the DIP Financing Agreement and this Final Order are terminated in accordance therewith on the closing date of such sale. If an order dismissing any of the Chapter 11 Cases under section 1112 of the Bankruptcy Code or otherwise is at any time entered, (i) the claims and Liens (including, without limitation, the Postpetition Liens, the Superpriority Claims, the Adequate Protection Liens and the Adequate Protection Claims) granted pursuant to this Final Order to or for the benefit of the DIP Agent, the DIP Lenders and the Prepetition Secured Parties shall continue in full force and effect and shall maintain their priorities as provided in this Final Order until, as applicable, all DIP Financing Obligations, Prepetition First Lien Debt and/or Prepetition Second Lien Debt shall have been indefeasibly paid in full in cash (and that such claims and liens shall, notwithstanding such dismissal, remain binding on all parties in interest), and (ii) this Court shall retain jurisdiction, notwithstanding such dismissal, for the purposes of enforcing such claims and Liens. The provisions set forth in clauses (i) and (ii) of the preceding sentence shall be deemed (in accordance with sections 104 and 349(b) of the Bankruptcy Code) to be incorporated by this reference in any order dismissing any of the Chapter 11 Cases under section 1112 of the Bankruptcy Code or otherwise, unless such provisions are expressly set forth therein.

27. No Waiver. This Final Order shall not be construed in any way as a waiver or relinquishment of any rights that any of the DIP Agent, the DIP Lenders or the Prepetition Secured Parties may have to bring or be heard on any matter brought before this Court.

28. Setoff and Recoupment. Notwithstanding anything to the contrary contained herein (but subject to the terms of the Prepetition Intercreditor Agreement), nothing in this Final Order shall limit or impair the nature, extent, validity and/or priority of the rights against the Debtors, if any, of any party-in-interest in the Chapter 11 Cases under Bankruptcy Code sections 546(c), 545 and 553 and/or the equitable doctrine of recoupment.

***19** 29. Priority of Terms. To the extent of any conflict between or among (a) the express terms or provisions of any of the DIP Financing Agreement, the Motion, the Interim Order, the Amended Interim Order, any other order of this Court, or any other agreements, on the one hand, and (b) the terms and provisions of this Final Order, on the other hand, unless such term or provision herein is phrased in terms of "as defined in" or "as more fully described in" the Motion or the DIP Financing Agreement, the terms and provisions of this Final Order shall govern.

30. Indefeasible payment. Subject to the investigatory period provisions of paragraph 12, for purposes of this Final Order, when payment in cash is received by the DIP Agent, that payment shall be considered indefeasibly made.

31. No Third Party Beneficiary. Except as explicitly set forth herein with respect to the Carve–Out, no rights are created hereunder for the benefit of any third party, any creditor, any party in a Successor Case or any direct, indirect or incidental beneficiary, and no third parties shall be deemed to be third party beneficiaries of this Final Order.

32. Adequate Notice. Adequate notice under the circumstances has been given to (i) the Office of the United States Trustee for the District of Delaware; (ii) counsel for the DIP Agent; (iii) counsel for BDCM Opportunity Fund II, LP, Black Diamond CLO 2005–1 Adviser L.L.C., Spectrum Investment Partners LP and The CIT Group/ Business Credit, Inc., as well as the other lenders under the Prepetition First Lien Loan Agreement for whom the Debtors have current contact information; (iii) The Bank of New York Mellon, in its capacity as administrative agent and collateral agent under the Prepetition Second Lien Loan Agreement; (iv) the Debtors' twenty (20) largest unsecured creditors listed in the Debtors' consolidated list of creditors (excluding insiders); (v) Bank of America, Fidelity National Bank, J.P. Morgan Chase Bank and Bank of Nova Scotia, which are the banks with which the Debtors maintain their primary banking relationships; and (vi) all other persons requesting notices. Pursuant to Bankruptcy Rule 4001, no further notice of the request

for the relief granted at the Final Hearing is required. The Debtors shall promptly mail copies of this Final Order to the noticed parties, any known party affected by the terms of this Final Order, and any other party requesting notice after the entry of this Final Order.

33. Entry of Final Order; Effect. This Final Order shall take effect immediately upon execution hereof, notwithstanding the possible application of Bankruptcy Rules 6004(g), 7062, 9014, or otherwise, and the Clerk of this Court is hereby directed to enter this Final Order on the Court's docket in the Chapter 11 Cases.

34. Retention of Jurisdiction. This Court shall retain jurisdiction over all matters pertaining to the implementation, interpretation and enforcement of this Final Order and/or the DIP Financing Agreement.

35. Binding Effect of Final Order. The terms of this Final Order shall be binding on any trustee appointed under chapter 7 or chapter 11 of the Bankruptcy Code or other fiduciary or other estate representative hereafter appointed as a legal representative of the Debtors or with respect to the property of the estates of the Debtors; provided that, except to the extent expressly set forth in this Final Order, the DIP Agent, the DIP Lenders and the Prepetition Secured Parties shall have no obligation to permit the use of Cash Collateral or other proceeds of Collateral or extend any financing to any chapter 7 trustee or similar responsible person appointed for the estates of the Debtors.

***20** 36. Nothing herein shall be deemed to alter, modify or waive the Debtors' obligations under applicable Canadian law.

37. Any amendment, stay, reversal or modification of this Final Order without the consent of the DIP Agent (which may be withheld in the DIP Agent's sole discretion) shall be an Event of Default under the DIP Financing Agreement and the Final Order.

All Citations

Slip Copy, 2012 WL 13033641

Footnotes

1 The Debtors in these cases, along with the federal tax identification number (or Canadian business number where applicable) for each of the Debtors, are: Allied Systems Holdings, Inc. (58–0360550); Allied Automotive Group, Inc. (58–2201081); Allied Freight Broker LLC (59–2876864); Allied Systems (Canada) Company (90–0169283); Allied Systems, Ltd. (L.P.) (58–1710028); Axis Areta, LLC (45–5215545); Axis Canada Company (87568828); Axis Group, Inc. (58–2204628); Commercial Carriers, Inc. (38–0436930); CT Services, Inc. (38–2918187); Cordin Transport LLC (38–1985795); F.J. Boutell Driveaway LLC (38–0365100); GACS Incorporated (58–1944786); Logistic Systems, LLC (45–4241751); Logistic Technology, LLC (45–4242057); QAT, Inc. (59–2876863); RMX LLC (31–0961359); Transport Support LLC (38–2349563); and Terminal Services LLC (91–0847582). The location of the Debtors' corporate headquarters and the Debtors' address for service of process is 2302 Parklake Drive, Bldg. 15, Ste. 600, Atlanta, Georgia 30345.

2 Capitalized terms not defined herein shall have the meaning ascribed to them in the Motion and if not defined in the Motion, in the DIP Financing Agreement (as defined below).

3 Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact, pursuant to Bankruptcy Rule 7052.

4 The term "DIP Loan" shall include all principal, interest, fees, expenses and other obligations (including, without limitation, all "Obligations" as such term is defined in the DIP Financing Agreement and all DIP Expenses (as defined below)) that are at any time owed by any Borrower or Guarantor to the DIP Agent or the DIP Lenders in connection with the DIP Loan, the DIP Financing Agreement or this Final Order.

5 For avoidance of doubt, nothing in this Final Order is intended to alter the priority of any possessory security interest of or validity of any lien held by Chartis (defined below) as of the date of this Final Order in cash collateral held pursuant to that certain Payment Agreement for Insurance and Risk Management Services, between Allied Systems Holdings, Inc. and National Union Fire Insurance Company of Pittsburgh, Pa., on behalf of itself and certain affiliates ("Chartis"), dated January 1, 2006, as well as any policies, schedules, addenda, letters of credit, surety bonds and related agreements governing the Insurance Program (as defined therein) through and including January 1, 2013, as may be extended or modified from time to time.

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6 As used herein, "Event of Default" shall mean an Event of Default as such term is defined in the DIP Financing Agreement (as modified pursuant to this Final Order) or any default by any of the Debtors of any of their obligations under this Final Order except to the extent that the DIP Agent and/or the DIP Lenders are not permitted to exercise rights or remedies hereunder on account of such default except, as applicable, upon the giving of notice by the DIP Agent and/or the expiration of a specified period of time, in which event, an Event of Default shall occur immediately upon the giving of such notice or the expiration of such period.

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Appendix II

F

2011 WL 6296789 (Bkrtcy.D.Del.) (Trial Order)
United States Bankruptcy Court, D. Delaware.

In re: GRACEWAY PHARMACEUTICALS, LLC, et al., [1] Debtors.

No. 11-13036 (PJW).
September 30, 2011.

Joint Administration Requested

Final Order (I) Authorizing Debtors to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363; (II) Granting Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§ 361,362,363 and 364 and (III) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. § 364

Chapter 11

Related Docket No. 15 & 52

(*"Final DIP Order"*)

Upon the motion, dated September 29, 2011, (the *"DIP Motion"*), of Graceway Pharma Holding Corp. (*"Parent"*), Graceway Holdings, LLC (*"Holdings"*), Graceway Pharmaceuticals, LLC (the *"Borrower"*), and the other debtors in possession (collectively, the *"Debtors"*) in the above-referenced Chapter 11 cases (the *"Chapter 11 Cases"* and each of the Chapter 11 Cases upon either appointment of any trustee or any other estate representative or conversion to a case under Chapter 7 of the Bankruptcy Code (as defined below) and any other proceedings related to the Chapter 11 Cases, a *"Successor Case"*), seeking entry of an interim order (the *"Interim Order"*) and this final order (this *"Final Order"*) pursuant to Sections 105, 361, 362, 363, 364(c)(1), 364(c)(3), 364(d)(1), 364(e), 507 and 552 of Chapter 11 of title 11 of the United States Code (as amended, the *"Bankruptcy Code"*), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the *"Bankruptcy Rules"*) and Rules 2002-1 and 4001-2 of the Local Bankruptcy Rules for the District of Delaware (the *"Local Rules"*), that, among other things [2]:

(i) authorizes the Debtors to use Prepetition Collateral (as defined below), including, without limitation, "cash collateral," as such term is defined in Section 363 of the Bankruptcy Code (the *"Cash Collateral"*), in which the Prepetition Secured Parties (as defined below) have a Lien or other interest, whether existing on the Petition Date (as defined below), arising pursuant to this Final Order or otherwise;

(ii) authorizes the Borrower to obtain, and authorizes each of the other Debtors (other than Parent) unconditionally to guarantee, jointly and severally, the Borrower's obligations in respect of, senior secured postpetition financing, which if approved would consist of $6,000,000 in aggregate principal amount of intercompany term loans (the *"Intercompany Loan"*) from Graceway Canada Company (*"Graceway Canada"* and in its capacity as lender under the Intercompany Loan, the *"Postpetition Lender"*) to the Borrower;

(iii) grants, as of the Petition Date and in accordance with the relative priorities set forth herein, the Prepetition Secured Parties' Adequate Protection (as defined below);

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(iv) authorizes the Borrower and each of the other Debtors to grant to the Postpetition Lender the DIP Protections (as defined below);

(v) modifies the automatic stay imposed by Section 362 of the Bankruptcy Code solely to the extent necessary to implement and effectuate the terms and provisions of this Final Order and subject in all respects to the Debtors' rights under paragraph 14 herein; and

(vi) waives any applicable stay (including under Bankruptcy. Rule 6004) and provides for immediate effectiveness of this Final Order.

Having considered the DIP Motion, the *Declaration of Gregory C. Jones in Support of Chapter 11 Petitions and First Day Motions* (the *"First Day Declaration"*), the evidence submitted or proffered at the hearing to consider the entry of the Interim Order (the *"Interim Hearing"*), and the evidence submitted or proffered at the hearing to consider the entry of this Final Order (the *"Final Hearing"*); and in accordance with Bankruptcy Rules 2002, 4001(b), (c) and (d) and 9014 and Local Rules 4001-2 and 2002-1, notice of the DIP Motion and the Final Hearing having been provided in a sufficient manner; a Final Hearing having been held and concluded on November 7, 2011; and it appearing that approval of the relief requested in the DIP Motion is fair and reasonable and in the best interests of the Debtors, their creditors, their estates and all parties in interest, and is essential for the continued operation of the Debtors' business; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

IT IS FOUND, DETERMINED, ORDERED AND ADJUDGED [3], that:

A. *Petition Date.* On September 29, 2011, (the *"Petition Date"*), each of the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (this *"Court"*). The Debtors have continued in the management and operation of their business and properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. On October 12, 2011, the United States Trustee for the District of Delaware (the *"U.S. Trustee"*) appointed the Official Committee of Unsecured Creditors in the Chapter 11 Cases pursuant to Section 1102 of the Bankruptcy Code (the *"Committee"*). No trustee or examiner has been appointed in the Chapter 11 Cases.

B. *Jurisdiction and Venue.* This Court has core jurisdiction over the Chapter 11 Cases, the DIP Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Venue for the Chapter 11 Cases and proceedings on the DIP Motion is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are Sections 105, 361, 362, 363, 364, 507 and 552 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001, 6004 and 9014 and Local Rules 2002-1 and 4001-2.

C. *Notice.* The Final Hearing was held pursuant to the authorization of Bankruptcy Rule 4001 and Local Rule 4001-2(b). Notice of the Final Hearing and the relief requested in the DIP Motion has been provided by the Debtors, whether by facsimile, electronic mail, overnight courier or hand delivery, on September 29, 2011, to certain parties in interest, including: (i) the United States Trustee for the District of Delaware; (ii) financing counsel to the First Lien Agent (as defined below); (iii) special restructuring and bankruptcy counsel to the First Lien Agent; (iv) counsel to the Second Lien Agent (as defined below); (v) the administrative agent for the lenders under the Debtors' prepetition unsecured mezzanine credit facility; (vi) the creditors listed on the Debtors' consolidated list of 30 largest unsecured creditors, as filed with the Debtors' chapter 11 petitions; (vii) the Food and Drug Administration; (viii) the Internal Revenue Service; (ix) the U.S. Public Health Service; (x) the Centers for Medicare and Medicaid Services; (xi) all parties requesting notice pursuant to Bankruptcy Rule 2002; and (xii) each entity with an interest in the Prepetition Collateral (as defined below). The aforementioned notices are appropriate under the circumstances, and no other or further notice of the DIP Motion, the relief requested therein and the Final Hearing is required for entry of this Final Order.

D. *Debtors' Stipulations Regarding the Prepetition Secured Credit Facilities.* Without prejudice to the rights of parties in interest to the extent set forth in paragraph 7 below, the Debtors admit, stipulate, acknowledge and agree (paragraphs D(i) through D(ix) hereof shall be referred to herein collectively as the *"Debtors' Stipulations"*) as follows:

(i) *First Lien Credit Facility.* Pursuant to that certain First Lien Credit Agreement dated as of May 3, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the *"First Lien Credit Agreement"*), among, *inter alia,* Holdings, the Borrower, the lenders party thereto (collectively, the *"First Lien Lenders"*), and Bank of America, N.A. (*"BofA"*), as administrative agent for the First Lien Lenders and collateral agent for the First Lien Claimholders (as defined in the Intercreditor Agreement (as defined below), without giving effect to any cap provided for therein) (BofA, in such capacity, the *"First Lien Agent"*), Swing Line Lender and L/C Issuer, the First Lien Agent, the First Lien Lenders, the Swing Line Lender and the L/C Issuer agreed to extend certain loans to, and issue letters of credit for the account of, the Borrower. The First Lien Credit Agreement, along with any other agreements and documents executed or delivered in connection therewith, including, without limitation, the First Lien Credit Documents (as defined in the Intercreditor Agreement), are collectively referred to herein as the *"First Lien Documents"* (as the same may be amended, restated, supplemented or otherwise modified from time to time). All obligations of the Debtors arising under the First Lien Credit Agreement, together with any other First Lien Obligations (as defined in the Intercreditor Agreement without giving effect to any cap provided for therein), shall collectively be referred to herein as the *"First Lien Obligations."*

(ii) *Second Lien. Credit Facility.* Pursuant to that certain Second Lien Credit Agreement dated as of May 3, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the *"Second Lien Credit Agreement"*), among, *inter alia,* Holdings, the Borrower, the lenders party thereto (collectively, the *"Second Lien Lenders"*) and Deutsche Bank Trust Company Americas (*"DB"*), as administrative agent for the Second Lien Lenders and collateral agent for the Second Lien Claimholders (as defined in the Intercreditor Agreement) (the Second Lien Claimholders and First Lien Claimholders collectively, the *"Prepetition Secured Parties"*) (DB, in such capacity, the *"Second Lien Agent"*), the Second Lien Agent and the Second Lien Lenders agreed to extend certain loans to the Borrower. The Second Lien Credit Agreement, along with any other agreements and documents executed or delivered in connection therewith, including, without limitation, the Second Lien Credit Documents (as defined in the Intercreditor Agreement), are collectively referred to herein as the *"Second Lien Documents"* (as the-same may be amended, restated, supplemented or otherwise modified from time to time). All obligations of the Debtors arising under the Second Lien Credit Agreement, together with any other Second Lien Obligations (as defined in the Intercreditor Agreement), shall collectively be referred to herein as the *"Second Lien Obligations"* and, together with the First Lien Obligations, the *"Prepetition Obligations."*

(iii) *First Priority Liens and First Lien Collateral.* Pursuant to the Collateral Documents (as such documents are amended, restated, supplemented or otherwise modified from time to time, the *"First Lien Collateral Documents"*), by and between each of the Debtors (other than Parent) and the First Lien Agent, each Debtor (other than Parent) granted to the First Lien Agent, for the benefit of the First Lien Claimholders, to secure the First Lien Obligations, a valid, binding, enforceable and perfected first priority continuing security interest in substantially all of such Debtor's assets and property (which for the avoidance of doubt includes Cash Collateral) and all proceeds thereof, collateral therefor, income, royalties and other payments due and payable with respect thereto and supporting obligations relating thereto, in each case whether then owned or existing or thereafter acquired or arising (the *"First Priority Liens"*). All collateral granted or pledged by the Debtors (other than Parent) pursuant to any First Lien Collateral Document or any other First Lien Document, including, without limitation, the Collateral (as defined in the First Liens Credit Agreement), and all prepetition and postpetition proceeds thereof shall collectively be referred to herein as the *"First Lien Collateral."*

(iv) *Second Priority Liens and Second Lien Collateral.* Pursuant to the Collateral Documents (as defined in the Second Lien Credit Agreement) (as such documents are amended, restated, supplemented or otherwise modified from time to time, the *"Second Lien Collateral Documents"*), by and between each of the Debtors (other than Parent) and the Second Lien Agent, each Debtor (other than Parent) granted to the Second Lien Agent, for the benefit of the Second Lien Claimholders, to secure the Second Lien Obligations, a valid, binding, enforceable and perfected second priority

continuing security interest in substantially all of such Debtor's assets and property (which for the avoidance of doubt includes Cash Collateral) and all proceeds thereof, collateral therefor, income, royalties and other payments due and payable with respect thereto and supporting obligations relating thereto, in each case whether then owned or existing or thereafter acquired or arising (the *"Second Priority Liens"* and, together with the First Priority Liens, the *"Prepetition Liens"*). All collateral granted or pledged by the Debtors (other than Parent) pursuant to any Second Lien Collateral Document or any other Second Lien Document, including, without limitation, the Collateral (as defined in the Second Lien Credit Agreement), and all prepetition and postpetition proceeds thereof shall collectively be referred to herein as the *"Second Lien Collateral"* and, together with the First Lien Collateral, the *"Prepetition Collateral."*

(v) *Intercreditor Agreement.* Pursuant to the Intercreditor Agreement, dated as of May 3, 2007 (the *"Intercreditor Agreement"* and, together with the First Lien Documents and the Second Lien Documents, the *"Prepetition Documents"*), among Holdings, the Borrower, the First Lien Agent, the Second Lien Agent and BofA as Control Agent, the Second Priority Liens are subject and subordinate on the terms contained in the Intercreditor Agreement to the First Priority Liens.

(vi) *First Priority Liens and First Lien Obligations.* (I) The First Priority Liens (a) are valid, binding, enforceable, and perfected Liens that have attached to the First Lien Collateral, (b) were granted to, or for the benefit of, the First Lien Claimholders, as applicable, for fair consideration and reasonably equivalent value, (c) are not subject to avoidance, recharacterization, or subordination or other legal or equitable relief adversely affecting the First Priority Liens, in each case, pursuant to the Bankruptcy Code or applicable non-bankruptcy law (except for the priming contemplated herein) and (d) are subject and subordinate in all respects only to (A) the DIP Liens (as defined below), (B) the Carve-Out (as defined below) and (C) the Prepetition Prior Liens (as defined below) and (II) (w) the First Lien Obligations constitute legal, valid and binding obligations of the applicable Debtors, enforceable in accordance with the terms of the applicable First Lien Documents (other than in respect of the stay of enforcement arising from Section 362 of the Bankruptcy Code), (x) no setoffs, recoupments, offsets, defenses or counterclaims to any of the First Lien Obligations exist, (y) no portion of the First Lien Obligations or any payments made to any or all of the First Lien Claimholders is subject to avoidance, recharacterization, recovery, subordination, attack, offset, counterclaim, defense, or any other "claim" (as defined in the Bankruptcy Code) of any kind pursuant to the.Bankruptcy Code or applicable non-bankruptcy law and (z) the Guaranty of each Guarantor continues in full force and effect notwithstanding any use of the Prepetition Collateral, including, without limitation the Cash Collateral, permitted hereunder, or the Intercompany Loan.

(vii) *Second Priority Liens and Second Lien Obligations.* (I) The Second Priority Liens (a) are valid, binding, enforceable, and perfected Liens that have attached to the Second Lien Collateral, (b) were granted to, or for the benefit of, the Second Lien Claimholders, as applicable, for fair consideration and reasonably equivalent value, (c) are not subject to avoidance, recharacterization, or subordination or other legal or equitable relief adversely affecting the Second Priority Liens, in each case, pursuant to the Bankruptcy Code or applicable non-bankruptcy law (except for the priming contemplated herein) and (d) are subject and subordinate in all respects only to (A) the DIP Liens, (B) the Carve-Out, (C) the Prepetition Prior Liens and (D) the First Priority Liens (pursuant to the terms of the Intercreditor Agreement), and (II) (w) the Second Lien Obligations constitute legal, valid and binding obligations of the applicable Debtors, enforceable in accordance with the terms of the applicable Second Lien Documents (other than in respect of the stay of enforcement arising from Section 362 of the Bankruptcy Code), (x) no setoffs, recoupments, offsets, defenses or counterclaims to any of the Second Lien Obligations exist, (y) no portion of the Second Lien Obligations or any payments made to any or all of the Second Lien Claimholders is subject to avoidance, recharacterization, recovery, subordination, attack, offset, counterclaim, defense, or any other "claim" (as defined in the Bankruptcy Code) of any kind pursuant to the Bankruptcy Code or applicable non-bankruptcy law and (z) the Guaranty (as defined in the Second Lien Credit Agreement) of each Guarantor (as defined in the Second Lien Credit Agreement) continues in full force and effect notwithstanding any use of the Prepetition Collateral, including, without limitation the Cash Collateral, permitted hereunder, or the Intercompany Loan.

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(viii) *Amounts Owed under Prepetition Documents.* As of the Petition Date, the Debtors were truly and justly indebted (i) to the First Lien Claimholders pursuant to the First Lien Documents, without defense, counterclaim or offset of any kind, in respect of loans made and letters of credit issued by the First Lien Agent, the First Lien Lenders, the L/C Issuer and the Swing Line Lender in the aggregate principal amount of not less than $430,698,397.58, including, without limitation, an undrawn letter of credit in the amount of $350,000.00, *plus* all accrued or, subject to Section 506(b) of the Bankruptcy Code, hereafter accruing, and unpaid interest thereon, and any additional fees and expenses (including any attorneys', accountants', appraisers' and financial advisors' fees and expenses that are chargeable or reimbursable under the First Lien Documents) now or hereafter due under the First Lien Credit Agreement and the other First Lien Documents and (ii) to the Second Lien Claimholders pursuant to the Second Lien Documents, without defense, counterclaim or offset of any kind, in respect of loans made by the Second Lien Agent and Second Lien Lenders in the aggregate principal amount of not less than $330,000,000, *plus* all accrued and unpaid interest thereon and any additional fees and expenses (including any attorneys', accountants', appraisers' and financial advisors' fees and expenses that are chargeable or reimbursable under the Second Lien Documents), in each case, due under the Second Lien Credit Agreement and the other Second Lien Documents as of the Petition Date.

(ix) *Release of Claims.* The Debtors have conducted a full and complete investigation and have concluded (for themselves but not on behalf of their estates) that they do not possess any valid Secured Party Releasee Claims (as defined below) against any of the Secured Party Releasees (as defined below). Subject to the rights of parties in interest to the. extent set forth in paragraph 7 below, each Debtor and its estate shall be deemed to have forever waived, discharged, and released the First Lien Agent, First Lien Claimholders, the Second Lien Agent and the Second Lien Claimholders, together with their respective affiliates, agents, attorneys, financial advisors, consultants, officers, directors, and employees (all of the foregoing, collectively, the *"Secured Party Releasees"*) of any and all "claims" (as defined in the Bankruptcy Code), counterclaims, causes of action, defenses, setoff, recoupment, or other offset rights against any and all of the Secured Party Releasees, whether arising at law or in equity, with respect to the First Lien Obligations, First Priority Liens, Second Lien Obligations and Second Priority Liens, as applicable, including, without limitation, (I) any recharacterization, subordination, avoidance, or other claim arising under or pursuant to Section 105 or Chapter 5 of the Bankruptcy Code, or under any other similar provisions of applicable state or federal law, and (II) any right or basis to challenge or object to the amount, validity, or enforceability of the First Lien Obligations or Second Lien Obligations, as applicable, or the validity, enforceability, priority, perfection or non-avoidability of the First Priority Liens or Second Priority Liens, as applicable, securing the First Lien Obligations or Second Lien Obligations, as applicable (all of the foregoing, the *"Secured Party Releasee Claims"*).

E. *Need to Use the Prepetition Collateral (including, without limitation, the Cash Collateral) and to Obtain Intercompany Loan.*

(i) The Debtors have an immediate need to use the Prepetition Collateral, including, without limitation, the Cash Collateral, and obtain the Intercompany Loans, to, among other things, permit the orderly continuation of the operation of their businesses, to maintain business relationships with vendors, suppliers and customers, to make payroll, to make capital expenditures and to satisfy other working capital and operational needs. The Debtors' access to sufficient working capital and liquidity through the use of the Cash Collateral and borrowing the Intercompany Loan is of vital importance and in the best interest of the Debtors' estates.

(ii) As demonstrated by evidence introduced at the Interim Hearing and Final Hearing on this Motion prior to the entry of this Final Order, the Debtors are unable to obtain (A) financing on more favorable terms from a source other than the Postpetition Lender, (B) adequate unsecured credit allowable under Section 503(b)(1) of the Bankruptcy Code as an administrative expense, and (C) secured credit allowable under Sections 364(c) and (d) of the Bankruptcy Code, in each case, without (1) granting to the Postpetition Lender the rights, remedies, privileges, benefits and protections provided herein, including, without limitation, the DIP Liens and the DIP Super-Priority Claims (as defined below, and together

with the DIP Liens, the *"DIP Protections"*) and (2) providing the Prepetition Secured Parties the adequate protection more fully described in paragraph F below.

F. *Adequate Protection for Prepetition Secured Parties.* The First Lien Agent and certain First Lien Lenders holding a majority of the First Lien Obligations and that have consented to the use of the Prepetition Collateral, including, without limitation, the Cash Collateral (the *"Majority First Lien Lenders"*), have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral, including, without limitation, the Cash Collateral, to fund the administration of the Debtors' estates and maintain the continued operation of their businesses. The First Lien Agent and Majority First Lien Lenders have agreed to permit the Debtors to use the Prepetition Collateral, including, without limitation, the Cash Collateral, for the period through the Cash Collateral Termination Date (as defined below), subject to the terms and conditions set forth herein. In addition, the Intercompany Loan contemplated hereby provides for a priming of the Prepetition Liens pursuant to Section 364(d) of the Bankruptcy Code. The Prepetition Secured Parties are entitled to the adequate protection set forth herein pursuant to Sections 361, 362, 363 and 364 of the Bankruptcy Code for the Diminution in Value (as defined below) of the Prepetition Collateral. Based on the DIP Motion and on the record presented to this Court at the Interim Hearing and the Final Hearing, the terms of the proposed adequate protection arrangements, the use of the Prepetition Collateral, including, without limitation, the Cash Collateral and the Intercompany Loan, in each case, contemplated hereby are fair and reasonable and reflect the Debtors' prudent exercise of business judgment.

G. *Limited Consent.* The consent of the First Lien Agent and Majority First Lien Lenders to (i) the priming of the First Priority Liens by the DIP Liens is limited to the financing presently before this Court, with Graceway Canada as lender, and shall not, and shall not be deemed to, extend to any other postpetition financing or to any modified version of the Intercompany Loan and (ii) the Debtors' use of the Prepetition Collateral, including, without limitation, the Cash Collateral, is limited to use of the Prepetition Collateral, including, without limitation, the Cash Collateral, pursuant to the terms of this Final Order and shall not, and shall not be deemed to, extend to any other use of the Prepetition Collateral, including, without limitation, the Cash Collateral. Nothing in this Final Order, including, without limitation, any of the provisions herein with respect to adequate protection, shall constitute, or be deemed to constitute, a finding that the interests of the First Lien Agent or any First Lien Claimholder are or will be adequately protected with respect to any non-consensual postpetition financing or use of Prepetition Collateral, including, without limitation, the Cash Collateral.

H. *Section 552(b).* In light of the subordination of the Prepetition Liens to (i) in the case of the First Lien Claimholders, the Carve-Out and DIP Liens, and (ii) in the case of the Second Lien Claimholders, the. Carve-Out, DIP Liens and Adequate Protection Replacement Liens (as defined below) granted to the First Lien Agent for the benefit of the First Lien Claimholders, each of the First Lien Claimholders and Second Lien Claimholders is entitled to all of the rights and benefits of Section 552(b) of the Bankruptcy Code and the "equities of the case" exception shall not apply.

I. *Business Judgment and Good Faith Pursuant to Section 364(e).* Based on the record presented to this Court by the Debtors, it appears that:

(i) Graceway Canada has indicated a willingness to provide postpetition secured financing via the Intercompany Loan to the Borrower in accordance with this Final Order.

(ii) The terms and conditions of the Intercompany Loan pursuant to this Final Order are fair, reasonable and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties and are supported by reasonably equivalent value and consideration.

(iii) The Intercompany Loan was negotiated in good faith among the Debtors and the Postpetition Lender and shall be deemed to have been extended by the Postpetition Lender for valid business purposes and uses and in good faith,

as that term is used in Section 364(e) of the Bankruptcy Code, and in express reliance upon the protections offered by Section 364(e) of the Bankruptcy Code, and the DIP Liens and the DIP Super-Priority Claims shall be entitled to the full protection of Section 364(e) of the Bankruptcy Code in the event this Final Order or any other order or any provision hereof or thereof is vacated, reversed, amended or modified, on appeal or otherwise.

J. *Relief Essential; Best Interest.* Absent granting.the relief set forth in this Final Order, the Debtors' estates and their ability successfully to operate their businesses will be immediately and irreparably harmed. Consummation of the Intercompany Loan and authorization of the use of Prepetition Collateral, including, without limitation, the Cash Collateral, in accordance with this Final Order is therefore in the best interests of the Debtors' estates and consistent with their fiduciary duties.

NOW, THEREFORE, on the DIP Motion and the record before this Court with respect to the DIP Motion, and with the consent of the Debtors, the First Lien Agent, the Majority First Lien Lenders and the Postpetition Lender to the form and entry of this Final Order, and good and sufficient cause appearing therefor,

IT IS ORDERED that:

1. *Motion Granted.* The DIP Motion is hereby granted in accordance with the terms and conditions set forth in this Final Order. Any objections to the DIP Motion with respect to the entry of this Final Order that have not been withdrawn, waived or settled, and all reservations of rights included therein, are hereby denied and overruled.

2. *Use of the Prepetition Collateral (including, without limitation, the Cash Collateral) and Authorization to Incur Intercompany Loan.* To enable the Debtors to continue to operate their business, the Debtors are hereby authorized to use the Prepetition Collateral, including, without limitation, the Cash Collateral, and the Borrower is hereby authorized to borrow and use the proceeds of the Intercompany Loan, in each case, only in accordance with the terms and conditions of this Final Order, including, without limitation, the Approved Budget and Budget Covenants (in each case, as defined below). Any amount repaid under the Intercompany Loan may not be reborrowed.

3. *Approved Budget; Budget Covenants; Events of Default.*

(a) *Approved Budget.* Attached hereto as *Exhibit A* is (i) a rolling weekly cash flow budget from and including the Petition Date through and including January 27, 2012 (the *"Pre-Sale Approved Budget"*) and (ii) a rolling monthly cash flow budget from and including January 28, 2012 through and including June 30, 2012 (the *"Wind-Down Approved Budget"* and together with the Pre-Sale Approved Budget, the *"Approved Budget"*), in each case, (A) as may be amended or modified from time to time with the consent of the First Lien Agent and the Approving Majority First Lien Lenders (as defined below) and (B) reflecting on a line-item basis the Debtors' projected (1) aggregate cash receipts, (2) disbursements (including, without limitation, professional fees and capital expenditures) and (3) cash on hand (collectively, *"Aggregate Liquidity"*), in each case, on a weekly or monthly basis, as applicable; *provided,* that if (x) the Debtors shall have filed plans of reorganization or liquidation in the Chapter 11 Cases that are reasonably acceptable to the First Lien Agent and Approving Majority First Lien Lenders and the Court shall have entered an order approving the Debtors' disclosure statement in connection with such plans of reorganization or liquidation, in each case, on or before June 30, 2012 and (y) the Debtors are using reasonable best efforts to confirm such plans of reorganization or liquidation, the Wind-Down Approved Budget shall automatically be extended to include the period from and including June 30, 2012 to and including July 31, 2012; *provided,* however, that the Debtors shall be prohibited from using Prepetition Collateral, including, without limitation, Cash Collateral, pursuant to such extended Wind-Down Approved Budget in excess of the amounts provided under the Wind-Down Approved Budget through and including June 30, 2012.

(b) *Budget Covenants.*

(i) From and including the Petition Date to and including January 27, 2012, for each 8-week period set forth in the Pre-Sale Approved Budget, tested weekly on a rolling basis by reference to the Pre-Sale Variance Report (as defined below), commencing with the 8-week period ending November 25, 2011, the aggregate disbursements (including, without limitation, professional fees (but excluding the First Lien Professional Fees (as defined below) and the Committee's professional fees permitted under the Pre-Sale Approved Budget and the amounts budgeted therefor) and capital expenditures) by the Debtors shall not exceed one hundred fifteen percent (115%) of the aggregate amount of disbursements budgeted for each such 8-week period pursuant to the Pre-Sale Approved Budget. The Debtors shall provide to the Postpetition Lender, a duly appointed representative of Graceway Canada (the *"Canadian Representative"*), the First Lien Agent, the Second Lien Agent and the Committee, so as actually to be received on or prior to the Thursday following the end of each week, commencing with the Thursday following the fourth week after the Petition Date, a variance report (a *"Pre-Sale Variance Report"*) certified by the chief executive officer, chief financial officer, treasurer, controller or general counsel of the Borrower (each an *"Authorized Officer"*), in form acceptable to the Postpetition Lender, the First Lien Agent and the Approving Majority First Lien Lenders, each, in their respective sole discretion, setting forth (A) the actual cash receipts and aggregate disbursements (including, without limitation, professional fees (including, without limitation, the First Lien Professional Fees and the Committee's professional fees permitted under the Pre-Sale Approved Budget) and capital expenditures) for such immediately preceding calendar week and the Aggregate Liquidity as of the end of such calendar week (*provided, however,* that the initial Pre-Sale Variance Report provided by the Debtors in accordance with the terms of this Final Order shall set forth actual cash receipts and aggregate disbursements (including, without limitation, professional fees (including, without limitation, the First Lien Professional Fees and the Committee's professional fees permitted under the Pre-Sale Approved Budget) and capital expenditures) for each immediately preceding calendar week since the Petition Date and the Aggregate Liquidity as of the end of each such calendar week) and (B) with respect to each 8-week period commencing with the 8-week period ending on the Friday of the eighth week after the Petition Date, the variance in dollar amounts and percentage terms of the actual aggregate disbursements (including, without limitation, professional fees (but excluding the First Lien Professional Fees and the Committee's professional fees permitted under the Pre-Sale Approved Budget and the amounts budgeted therefor) and capital expenditures) from those reflected for the corresponding period in the Pre-Sale Approved Budget.

(ii) From and including January 28, 2012 through and including June 30, 2012 (or, if the Wind-Down Approved Budget is extended in accordance with paragraph 3(a) above, July 31, 2012), for each period from January 28, 2012 through the end of each month thereafter set forth in the Wind-Down Approved Budget, tested at the end of each such month on a cumulative basis by reference to the Wind-Down Variance Report (as defined below) (it being understood that (I) the period from and including January 28, 2012 to and including January 31, 2012 shall be included in the period tested at the end of February 2012 and (II) an amount equal to the aggregate amount of all budgeted disbursements incurred but not paid during the 8-week period ending January 27, 2012 under the Pre-Sale Approved Budget (if any) shall be added to the "Designated Account, excl Wind Down Expenses" line item in the Wind-Down Approved Budget for the month of February 2012[4]), the aggregate disbursements (including, without limitation, professional fees (but excluding the First Lien Professional Fees and the Committee's professional. fees permitted under the Wind-Down. Approved Budget and the amounts budgeted therefor) and capital expenditures) by the Debtors shall not exceed one hundred ten percent (110%) of the aggregate amount of disbursements budgeted for each such cumulative period pursuant to the Wind-Down Approved Budget. The Debtors shall provide to the Postpetition Lender, the Canadian Representative, the First Lien Agent, the Second Lien Agent and the Committee, so as actually to be received on or prior to the fourth business day immediately following the end of each month, commencing with the fourth business day of March 2012, a variance report (a *"Wind-Down Variance Report"*) certified by an Authorized Officer, in form acceptable to the Postpetition Lender, the First Lien Agent and the Approving Majority First Lien Lenders, each, in their respective sole discretion, setting forth (A) the actual cash receipts and aggregate disbursements (including, without limitation, professional fees (including, without limitation, the First Lien Professional Fees and the Committee's professional fees permitted under the Wind-Down Approved Budget) and capital expenditures) for such immediately preceding month and the Aggregate Liquidity as of the end of such immediately preceding month, and (B) with respect to each such cumulative period, the variance in dollar amounts and percentage terms of the actual aggregate disbursements (including, without limitation,

professional fees (but excluding the First Lien Professional Fees and the Committee's professional fees permitted under the Wind-Down Approved Budget and the amounts budgeted therefor) and capital expenditures) from those reflected for the corresponding period in the Wind-Down Approved Budget.

(iii) The proceeds of the Intercompany Loan (subject to paragraph 5(a) below) and the Cash Collateral shall be used only as follows: (A) prior to the Cash Collateral Termination Date, solely for payment of the disbursements set forth in the Approved Budget subject to the terms and conditions of this Final Order (including, without limitation, any variance permitted under this paragraph 3(b)) and (B) on or after the Cash Collateral Termination Date, solely (x) to fund (1) unpaid fees required to be paid in these Chapter 11 Cases to the clerk of this Court and to the office of the United States Trustee under 28 U.S.C. § 1930(a), whether arising prior to or after the delivery of the Carve-Out Trigger Notice (as defined below), in an amount equal to $201,250, (2) any unpaid amounts incurred and earned prior to the occurrence of the Cash Collateral Termination Date under each of the Debtors' Professionals Carve-Out Cap (as defined below) and Committee Professionals Carve-Out Cap (as defined below), (3) the Debtors' Professionals Post Carve-Out Cap (as defined below) and Committee Professionals Post Carve-Out Cap (as defined below) and (4) the Expense Reimbursement Amount (as defined in the Asset Purchase Agreement (as defined in the DIP Motion)) (the aggregate of such amounts in clauses (1), (2), (3) and (4) above, the *"Maximum Carve-Out Amount"*) (it being understood that such unpaid fees required to be paid in these Chapter 11 Cases to the clerk of this Court and to the office of the United States Trustee under 28 U.S.C. § 1930(a), the pre-funded amounts incurred and earned prior to the occurrence of the Cash Collateral Termination Date under each of the Debtors' Professionals Carve-Out Cap and Committee Professionals Carve-Out Cap, the pre-funded amounts in respect of the Debtors' Professionals Post Carve-Out Cap and Committee Professionals Post Carve-Out Cap and the Expense Reimbursement Amount shall be escrowed in accordance with paragraph 8(e) below and paid, as applicable, to the clerk of the Court or to the office of the U.S. Trustee when such amounts are due, to the applicable retained professionals only if and when such amounts are incurred, earned and allowed by this Court under Sections 105(a), 330 and 331 of the Bankruptcy Code) and to the Buyer (as defined in the Asset Purchase Agreement) solely in accordance with the terms of the Asset Purchase Agreement and the Bidding Procedures Order (as defined in the Asset Purchase Agreement) and (y) to pay the First Lien Professional Fees.

The undertakings of the Debtors provided for in this paragraph 3(b) shall be collectively referred to herein as the *"Budget Covenants."*

(c) *Events of Default.* Subject to paragraph 14(b) below, upon the occurrence of any Event of Default (as defined below), the consensual Cash Collateral use arrangement contained in this Final Order shall terminate automatically without any further notice or action (including, without limitation, further notice, motion or application to, order of or hearing before this Court) unless the occurrence of such Event of Default is waived in writing at any time by at least two First Lien Lenders holding in aggregate a majority of the then outstanding First Lien Obligations held by the Consenting First Lien Lenders (as defined in the Sale Support Agreement, dated as of September 28, 2011 (the *"Sale Support Agreement"*), entered by and among the Debtors, Graceway Canada and the First Lien Lenders from time to time party thereto) (the *"Approving Majority First Lien Lenders"*). Each of the following events shall constitute an event of default (collectively, the *"Events of Default"*):
(i) on or prior to January 27, 2012, with respect to each of the following line items in the Pre-Sale Approved Budget, the payment by the Debtors of any disbursements in excess of the cumulative amount budgeted for each such line item in the Pre-Sale Approved Budget plus fifteen percent (15%) of each such cumulative budgeted amount: (i) "Payroll & Benefits", (ii) "R&D, Licensing & Regulatory", (iii) "Advertising & Promotions and Sales Expenses", (iv) "Corporate, Occupancy, Utilities & Other Expenses", (v) "Ropes & Gray", (vi) "Edwards Angell Palmer & Dodge", (vii) "Hogan Lovells US LLP", (viii) "Other Non-Restructuring Professionals" and (ix) "CapEx";

(ii) after January 27, 2012, with respect to the "Wind Down Expenses - Corporate, Employee & Other" line item in the Wind-Down Approved Budget, the payment by the Debtors of any disbursements in excess of the cumulative amount

budgeted for such line item in the Wind-Down Approved Budget plus ten percent (10%) of each such cumulative budgeted amount;

(iii) any violation of the Budget Covenants;

(iv) (A) the entry of an order by any court invalidating, disallowing or limiting in any respect, as applicable, either (1) the enforceability, priority, or validity of the First Priority Liens or Adequate Protection Replacement Liens, in each case, securing the First Lien Obligations or (2) any of the First Lien Obligations or Adequate Protection Super-Priority Claims (as defined below) granted to the First Lien Claimholders or (B) with respect to any of the foregoing, any Debtor's application for, consent to, or acquiescence in, any such relief;

(v) the incurrence by any Debtor after the Petition Date of indebtedness that is (A) secured by a security interest, mortgage or other Lien on all or any portion of the Prepetition Collateral which is equal or senior to any security interest, mortgage or other Lien of the First Lien Agent and the First Lien Claimholders, as applicable, or (B) entitled to priority administrative expense status which is equal or senior to that granted to the First Lien Agent and First Lien Claimholders, as applicable, herein, except, in each case, (x) any such indebtedness used to refinance the First Lien Obligations in full and (y) the Intercompany Loan;

(vi) the entry of a final order by this Court (other than the Final Order) granting relief from or modifying the automatic stay of Section 362 of the Bankruptcy Code (A) to allow any creditor to execute upon or enforce a Lien on or security interest in any Prepetition Collateral with a value in excess of $250,000 or (B) with respect to any Lien on or the granting of any Lien on any Prepetition Collateral to any state or local environmental or regulatory agency (in each case with a value in excess of $250,000);

(vii) reversal, vacatur, stay or modification (without the express prior written consent of the Postpetition Lender, the First Lien Agent and the Approving Majority First Lien Lenders, in their respective sole discretion) of this Final Order;

(viii) (A) the entry by this Court of an order, or the filing by the Debtors of a motion with this Court which seeks the entry of an order, accomplishing (x) the conversion of one or more of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or (y) the dismissal, termination, stay or modification of one or more of the Chapter 11 Cases or (B) with respect to any of the foregoing, any Debtor's application for, consent to, or acquiescence in, any such relief;

(ix) the entry by this Court of an order, or the filing by the Debtors of a motion with this Court, which seeks the entry of an order, accomplishing the appointment of an interim or permanent trustee, receiver or examiner with expanded powers to operate or manage the financial affairs, business or reorganization of any Debtor in one or more of the Chapter 11 Cases;

(x) any material breach by any Debtor of any of their obligations, representations, warranties or covenants set forth in this Final Order (except as covered by any other Event of Default under this paragraph 3(c)) or the Asset Purchase Agreement, as applicable, which material breach is not cured on or within five (5) Business Days after the giving of written notice. of such breach to the Debtors;

(xi) any material breach by Graceway Canada of any of its obligations, representations, warranties or covenants set. forth in the Asset Purchase Agreement, as applicable, which material breach is not cured on or within five (5) Business Days after the giving of written notice of such breach to the Debtors;

(xii) the failure to make adequate protection payments or pay professional fees, costs and expenses of the First Lien Agent, in each case, when and as provided for under this Final Order;

(xiii) the Debtors fail to file the Sale Motion (as defined in the DIP Motion) on or within three (3) Business Days following the Petition Date seeking approval of the Bidding Procedures (as defined in the Asset Purchase Agreement) and Sale (as defined in the DIP Motion) in this Court;

(xiv) the Debtors fail to obtain entry by this Court of (a) the Bidding Procedures Order within forty-five (45) days after the Petition Date or (b) the Sale Order (as defined in the Asset Purchase Agreement) by January 2, 2012;

(xv) (a) the termination of the Asset Purchase Agreement other than in connection with acceptance of an Alternative Transaction (as defined in the Asset Purchase Agreement) that is acceptable to the Postpetition Lender and Approving Majority First Lien Lenders in their respective sole discretion, (b) the amendment or modification of, or filing of a pleading by any Debtor seeking to amend or modify, the Asset Purchase Agreement or any documents related thereto (including, without limitation, the Bidding Procedures, Bidding Procedures Order or Sale Order), in a manner not acceptable to the Postpetition Lender and Approving Majority First Lien Lenders in their respective sole discretion or (c) execution of definitive documents in respect of an Alternative Transaction that are not acceptable to the Postpetition Lender and Approving Majority First Lien Lenders in their respective sole discretion;

(xvi) the failure to consummate the Sale on or before January 27, 2012;

(xvii) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any ruling or order enjoining the consummation of a material portion of the Sale;

(xviii) the filing by any Debtor of any stand-alone plan of reorganization or liquidation (or the announcement of any Debtor's support of any such plan filed by any other party) prior to consummation of the Sale; and

(xix) the entry by this Court of an order, or the filing by the Debtors of a motion with this Court which seeks the entry of an order, authorizing the use of Cash Collateral for any purpose other than to pay the First Lien Obligations in full or as permitted in this Final Order.

provided, however, that-the consensual use arrangement of Prepetition Collateral, including, without limitation, Cash Collateral, described in this Final Order shall, unless it shall have terminated earlier pursuant to the terms hereof, terminate on June 30, 2012 (unless extended automatically in accordance with paragraph 3(a) or by consent of the Approving Majority First Lien Lenders). The earliest date upon which the consensual Cash Collateral use arrangement described in this Final Order is terminated pursuant to this paragraph 3(c) shall be referred to herein as the *"Cash Collateral Termination Date."* In the event this Final Order terminates pursuant to this clause (c), the Adequate Protection Collateral (as defined below) will be used to fund the Maximum Carve-Out Amount pursuant to paragraph 8 below and to satisfy the Intercompany Loan pursuant to paragraph 5(d) before being used to satisfy any other obligation, including, without limitation, the First Lien Obligations.

(d) *Payments on Account of Prepetition Obligations.* Without limiting the foregoing, the Debtors shall not be permitted to make any payments on account of any prepetition debt or obligation prior to the effective date of a Chapter 11 plan or plans with respect to any of the Debtors, except (i) as set forth in this Final Order; (ii) as provided in the first day orders, which first day orders shall be in form and substance reasonably acceptable to the Postpetition Lender, First Lien Agent and Majority First Lien Lenders; and (iii) as provided in the other motions, orders and requests for relief filed by the Debtors, each in form and substance reasonably acceptable to the Postpetition Lender, First Lien Agent and Approving Majority First Lien Lenders.

(e) Enforceable Obligations. Subject to the rights of parties in interest to the extent set forth in paragraph 7 below, no obligation, payment, transfer or grant of security under this Final Order shall be stayed, restrained, voidable, avoidable

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or recoverable under the Bankruptcy Code or under. any applicable law (including, without limitation, under Sections 502(d), 544, 547, 548 or 549 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law), or subject to any avoidance, reduction, setoff, recoupment, offset, recharacterization, subordination (whether equitable, contractual or otherwise), counterclaim, cross-claim, defense or any other challenge under the Bankruptcy Code or any applicable law or regulation by any person or entity.

4. *Adequate Protection for Prepetition Secured Parties.* The Prepetition Secured Parties shall receive the following adequate protection (collectively referred to as the *"Prepetition Secured Parties' Adequate Protection"*):

(a) *Adequate Protection Replacement Liens.* To the extent of the diminution in value of the respective interests of the Prepetition Secured Parties in the respective Prepetition Collateral, including, without limitation, the Cash Collateral, from and after the Petition Date, calculated in accordance with Section 506(a) of the Bankruptcy Code, resulting from the use, sale or lease by the Debtors of the applicable Prepetition Collateral, including, without limitation, the Cash Collateral, the granting of the DIP Liens, the subordination of the Prepetition Liens thereto and to the Carve-Out and the imposition or enforcement of the automatic stay of Section 362(a) (collectively, *"Diminution in Value"*) (in addition to (but without, duplication of) any claim for Diminution in Value that may arise during the course of the Chapter 11 Cases, the First Lien Claimholders shall have a valid, binding and enforceable claim for Diminution in Value equal to the aggregate amount of the Prepetition Collateral, including, without limitation, the Cash Collateral, used to pay the fees and expenses of the Debtors' Professionals (as defined below) and Committee Professionals (as defined below) and the expenses of the Committee Members (as defined -below), in each case, in connection with the Chapter 11 Cases or. any Successor Case and in accordance with this Final Order), the First Lien Agent and Second Lien Agent, as applicable, for the benefit of the First Lien Claimholders and Second Lien Claimholders, as applicable, are hereby granted, subject to the terms and conditions set forth below, pursuant to Sections 361, 363(e) and 364(d)(1) of the Bankruptcy Code, replacement Liens upon all property of the Debtors, now existing or hereinafter acquired, including, without limitation, all cash and cash equivalents (whether maintained with the First Lien Agent or otherwise), and any investment in such cash or cash equivalents, money, inventory, goods, accounts receivable, other rights to payment, intercompany loans and other investments, investment property, contracts, contract rights, properties, plants, equipment, machinery, general intangibles, payment intangibles, accounts, deposit accounts, documents, instruments, chattel paper, documents of title, letters of credit, letter of credit rights, supporting obligations, leases and other interests in leaseholds, real property, fixtures, patents, copyrights, trademarks, trade names, other intellectual property, intellectual property licenses, capital stock of subsidiaries, tax and other refunds, insurance proceeds, commercial tort claims, seventy-five percent (75%) of the net proceeds realized from the Debtors' claims and causes of action under Sections 502(d), 544, 545, 547, 548, 550 and 553 of the Bankruptcy Code and any other avoidance or similar action under the Bankruptcy Code or similar state law (such claims and causes of action, together with the Section 549 Actions (as defined below), *"Avoidance Actions"*), one hundred percent (100%) of the net proceeds realized from the Debtors' claims or causes of action under Section 549 of the Bankruptcy Code (such claims and causes of action, the *"Section 549 Actions"*), rights under Section 506(c) of the Bankruptcy Code, all other Prepetition Collateral and all other "property of the estate" (within the meaning of the Bankruptcy Code) of any kind or nature, real or personal, tangible, intangible or. mixed, now existing or hereafter acquired or created, and all rents,.. products, substitutions, accessions, profits, replacements and cash and non-cash proceeds of all of the foregoing (all of the foregoing collateral collectively referred to as the *"Adequate Protection Collateral"* and such adequate protection replacement liens, the *"Adequate Protection Replacement Liens"*). The Adequate Protection Replacement Liens on such Adequate Protection Collateral shall be subject and subordinate only to (i) the DIP Liens, (ii) the Prepetition Prior Liens, (iii) the payment of the Carve-Out and (iv) with respect to the Adequate Protection Replacement Liens granted to the Second Lien Agent for the benefit of the Second Lien Claimholders only, the Adequate Protection Replacement Liens granted to the First Lien Agent for the benefit of the First Lien Claimholders. For the avoidance of doubt, the Adequate Protection Replacement Liens granted to the Second Lien Agent for the benefit of the Second Lien Claimholders shall be subordinated to the Adequate Protection

Replacement Liens granted to the First Lien Agent for the benefit of the First Lien Claimholders on the same basis as the Second Priority Liens are subordinated to the First Priority Liens under the Intercreditor Agreement.

(b) *Adequate Protection Super-Priority Claims.* To the extent of Diminution in Value, the First Lien Claimholders and Second Lien Claimholders are hereby granted allowed super-priority administrative claims (such adequate protection super-priority claims, the *"Adequate Protection Super-Priority Claims"*) against each of the Debtors pursuant to Sections 361, 363(e), 364(d)(1) and 507(b) of the Bankruptcy Code, which shall have priority, subject only to (i) the DIP Super-Priority Claims, (ii) the payment of the Carve-Out and (iii) with respect to the Adequate Protection Super-Priority Claims granted to the Second Lien Claimholders, the Adequate Protection Super-Priority Claims granted to the First Lien Claimholders, over all administrative expense claims, adequate. protection and other diminution claims, unsecured claims and all other claims against the Debtors, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses or other claims of the kinds specified in, or ordered pursuant to, Sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 and 1114 or any other provision of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment. The Adequate Protection Super-Priority Claims shall for purposes of Section 1129(a)(9)(A) of the Bankruptcy Code be considered administrative expenses allowed under Section 503(b) of the Bankruptcy Code, shall be against each Debtor on a joint and several basis, and shall be payable from and have recourse to all prepetition and postpetition property of the Debtors and their estates (other than twenty-five percent (25%) of the net proceeds of the Avoidance Actions (other than Section 549 Actions) or as may otherwise be agreed by the First Lien Claimholders) and all proceeds thereof, *provided, however,* that (i) to the extent the Cash Collateral Termination Date shall have occurred, the Maximum Carve-Out Amount shall be funded and the Intercompany Loan shall be paid in full (including all accrued and previously capitalized interest thereon) in cash pursuant to paragraph 5(d) before any payments shall be made on account of the Adequate Protection Super-Priority Claims and (ii) to the extent the Cash Collateral Termination Date shall not have occurred, all amounts set forth in section 4(b) of the Sale Support Agreement shall be funded (provided, the Sale shall have been consummated) and the Intercompany Loan shall be paid in full (including all accrued and previously capitalized interest thereon) in cash pursuant to paragraph 5(d) before any payments shall be made on account of the Adequate Protection Super-Priority Claims, in each case, in accordance with the terms of this Final Order. Other than as provided in this Final Order with respect to the Carve-Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under Sections 328, 330, and 331 of the Bankruptcy Code, or otherwise, that have been or may be incurred in these proceedings, or in any Successor Cases, and no priority claims are, or will be, senior to, prior to or on a parity with the Adequate Protection Replacement Liens and the Adequate Protection Super-Priority Claims.

(c) *Adequate Protection Payments, Professional Fees and Information.* As further adequate protection, and in consideration, and as a requirement, for obtaining the consent of the First Lien Agent and Majority First Lien Lenders to the entry of this Final Order and the Debtors' consensual use of the Prepetition Collateral, including, without limitation, the Cash Collateral, as provided herein, the Debtors shall (i) within three (3) Business Days of the date of entry of the Interim Order pay to the First Lien Agent a cash amount equal to $973,838.09; *provided* that such payment is subject to disgorgement in the event that all of the First Priority Liens are determined to be invalid by this Court in a final and non-appealable order, (ii) timely pay in cash all reasonable out of pocket fees, costs and expenses of the First Lien Agent (including, without limitation, payment in advance of the agency fee required to be paid pursuant to Section 2.11(c) of the First Lien Credit Agreement) and its professionals, including, without limitation, Morgan, Lewis & Bockius LLP, as financing counsel, Wachtell, Lipton, Rosen & Katz, as special restructuring and bankruptcy counsel, DLA Piper LLP, as local counsel, one foreign counsel and one financial advisor (collectively, the *"First Lien Professional Fees"*), in each case, on a regular monthly basis during the Chapter 11 Cases, without further notice, motion or application to, order of, or hearing before, this Court; *provided* that after consummation of the Sale, if the proceeds of the Sale are not sufficient to satisfy the claims of the First Lien Claimholders in full, the First Lien Agent shall pay such fees and expenses from proceeds of the Sale that would otherwise be distributed to the First Lien Agent for the benefit of the First Lien Claimholders withheld for such purpose, and (iii) deliver to the First Lien Agent, the Second Lien

Agent, the Committee and their respective advisors all information, reports, documents and other material that they may reasonably request, either directly or through their professionals (it being understood that the First Lien Agent, the Second Lien Agent and their respective advisors shall be permitted in their sole discretion to distribute such information, reports, documents and other material to the First Lien Claimholders and Second Lien Claimholders, as applicable, upon request). Notwithstanding anything contained herein or otherwise, (A) all such professional fees (in each case, as described above) pursuant to this Final Order shall be subject to recharacterization and reapplication pursuant to further order of this Court if and to the extent the First Lien Obligations are determined by this Court to be undersecured and (B) the Debtors shall not be obligated to reimburse any Prepetition Secured Party with respect to the defense of Claims and Defenses (as defined below) in the event such Claims and Defenses are asserted pursuant to paragraph 7 of this Final Order.

(d) *Notice of Professional Fees.* None of the fees, costs and expenses incurred by professionals engaged by the First Lien Agent shall be subject to Court approval or U.S. Trustee guidelines, and no recipient of any such payment shall be required to file with respect thereto any interim or final fee application with this Court; *provided,* that such professionals shall submit copies of their respective professional fee invoices to the Debtors, the U.S. Trustee, counsel for the Postpetition Lender and counsel for the Committee (and any subsequent trustee of the Debtors' estates). Such invoices may be redacted to the extent necessary to delete any information subject to the attorney-client privilege, any information constituting attorney work product, or any other confidential or privileged information, and the provision of such invoices shall not constitute any waiver-of any privilege (including, without limitation, the attorney-client privilege) or of any benefits of the attorney work product doctrine. The Debtors, the U.S. Trustee, the Postpetition Lender and the Committee (and any subsequent trustee of the Debtors' estates) may object to the reasonableness or necessity of the particular items or categories of the fees, costs and expenses included in any professional fee invoice submitted by such professionals; *provided* that, any such objection shall be forever waived and barred unless (i) it is filed with this Court and served on the applicable professional, the First Lien Agent and the Debtors no later than ten (10) days after delivery of the applicable professional fee invoice to the objecting party and (ii) it describes with particularity the specific basis for the objection. Any hearing on an objection to payment of any fees, costs and expenses set forth in such professional fee invoice shall be limited to the reasonableness or necessity of the particular items or categories of the fees, costs and expenses which are the subject of such objection. All such unpaid fees, costs and expenses that have not been disallowed by this Court on the basis of an objection filed by the Debtors, the U.S. Trustee, the Postpetition Lender or the Committee (or any subsequent trustee of the Debtors' estates) in accordance with the terms hereof shall constitute First Lien Obligations and shall be secured by the Adequate Protection Collateral as specified in this Final Order. The Debtors shall pay in accordance with the terms and conditions of this Final Order the undisputed fees, costs and expenses reflected on any professional fee invoice no later than ten (10) Business Days after the submission thereof, or, in the case of any fees, cost and expenses timely objected to by the Debtors, the U.S. Trustee, the Postpetition Lender or the Committee (or any subsequent trustee of the Debtors' estates) in accordance with the terms hereof, no later than ten (10) Business Days after such objection has been resolved by this Court.

(e) *Right to Seek Additional Adequate Protection.* Under the circumstances and given that the above-described adequate protection is consistent with the Bankruptcy Code, this Court finds that the adequate protection provided herein is reasonable and sufficient to protect the interests of the Prepetition Secured Parties. However, subject to the terms of the Intercreditor Agreement, any Prepetition Secured Party may request further or different adequate protection, and the Debtors or any other party in interest may (subject to the Intercreditor Agreement) contest any such request; *provided* that any such further or different adequate protection shall at all times be subordinate and junior to the DIP Super-Priority Claims and DIP Liens of the Postpetition Lender granted under this Final Order.

(f) *Consent to Priming and Adequate Protection.* The First Lien Agent and the Majority First Lien Lenders consent to the use of the Prepetition Collateral, including, without limitation, the Cash Collateral, the Prepetition Secured Parties' Adequate Protection and the priming provided for herein; *provided, however,* that such consent is expressly conditioned upon the entry of this Final Order and shall not be deemed to extend to any other replacement financing or debtor-in-

possession financing other than the Intercompany Loan or any other use of the Prepetition Collateral, including, without limitation, the Cash Collateral other than as specified herein; and *provided, further,* that (I) such consent shall be of no force and effect in the event this Final Order is not entered or is entered and subsequently reversed, vacated, stayed or modified (unless such reversal, vacatur, stay or modification is acceptable to the First Lien Agent and the Approving Majority First Lien Lenders, in their sole discretion) and (II) in the event of the occurrence of the Cash Collateral Termination Date, nothing herein shall alter the burden of proof set forth in the applicable provisions of the Bankruptcy Code at any hearing concerning the continued use of the Prepetition. Collateral, including, without limitation, the Cash Collateral, by the Debtors.

5. *Intercompany Loan.*

(a) *Tranches.* The Intercompany Loan shall consist of a tranche A intercompany term loan in aggregate principal amount equal to $3,800,000 (the *"Tranche A Intercompany Loan"*) and a tranche B intercompany term loan in aggregate principal amount equal to $2,200,000 (the *"Tranche B Intercompany Loan"*). The Borrower shall borrow the Tranche A Intercompany Loan and Tranche B Intercompany Loan, in each case, no later than the third day after the entry by the Court of the Interim Order. The Borrower is hereby authorized, and agrees, to use the proceeds of (i) the Tranche A Intercompany Loan only in accordance with the terms and conditions of this Final Order, including, without limitation, the Approved Budget and Budget Covenants and (ii) the Tranche B Intercompany Loan only in accordance with the terms and conditions of this Final Order, including, without limitation, the Approved Budget and Budget Covenants, and with the prior written consent of the Approving Majority First Lien Lenders (it being understood that the Approving Majority First Lien Lenders shall be deemed to have consented to the Debtors' use of the proceeds of the Tranche B Intercompany Loan to pay the Expense Reimbursement Amount if approved by the Court pursuant to the Bidding Procedures Order and due and payable pursuant to the terms of the Asset Purchase Agreement).

(b) *Interest and Fees.* Interest on the outstanding principal amount of the Intercompany Loan shall be capitalized and added thereto until the outstanding principal amount (including all previously capitalized interest) is paid in full on the Maturity Date (as defined below) Interest shall accrue at 4.75% per annum. Interest shall be capitalized quarterly, commencing with the Debtors' fiscal quarter ending December 31, 2011... No fees, costs, expenses or other charges shall accrue or be payable in connection with the Intercompany Loan.

(c) *Maturity.* The Intercompany Loan shall mature and be paid in full (including all accrued and previously capitalized interest thereon) in cash on the earlier of September 30, 2012 or the closing of the Sale (the *"Maturity Date"*).

(d) *Remedies.* Failure to pay the entire principal amount of the Intercompany Loan to the Postpetition Lender on the Maturity Date shall constitute a default under the Intercompany Loan (an *"Intercompany Loan Default"*). The Debtors shall cure any Intercompany Loan Default within three (3) Business Days following receipt of notice of such default, *provided,* that, if the Debtors fail to cure the Intercompany Loan Default, the Postpetition Lender may seek an emergency hearing before this Court for the sole purpose of determining whether an Intercompany Loan Default has occurred and seeking relief from the automatic stay to exercise its rights and remedies with respect to the DIP Collateral (as defined below) in accordance with this Final Order and applicable law.

(e) *DIP Liens.* As security for the Intercompany Loan, pursuant to Section 364(d)(1) of the Bankruptcy Code the Debtors hereby grant to the Postpetition Lender a perfected first priority, senior priming Lien (the *"DIP Liens"*) on, without duplication, all Adequate Protection Collateral (including, without limitation, Cash Collateral) and one hundred percent (100%) of the net proceeds of Avoidance Actions (the *"DIP Collateral"*) that is senior and priming to (A) the Prepetition Liens, (B) the Adequate Protection Replacement Liens and (C) any Liens that are junior to the Prepetition Liens, after giving effect to any intercreditor or subordination agreements (the Liens referenced in clauses (A), (B) and (C), collectively, the *"Primed Liens"*). The DIP Liens shall immediately and without any further action by any Person, be

valid, binding, permanent, perfected, continuing, enforceable and non-avoidable upon the date this Court enters this Final Order.

(f) *DIP Lien Priority.* Notwithstanding anything to the contrary contained in this Final Order, for the avoidance of doubt, the DIP Liens granted to the Postpetition Lender shall in each and every case be first priority senior Liens that (i) are subject only to (A) valid, enforceable, non-avoidable and perfected Liens in existence on the Petition Date that (I) after giving effect to any intercreditor or subordination agreement, are senior in priority to the Prepetition Liens and (II) are perfected subsequent to the Petition Date as permitted by Section 546(b) of the Bankruptcy Code and after giving effect to any intercreditor or subordination agreement are senior in priority to the Prepetition Liens (collectively, the *"Prepetition Prior Liens"*) and (B) the Carve-Out (to the extent provided in the provisions of this Final Order), and (ii) except as provided in sub-clause (i) of this clause (f), are senior to all prepetition and postpetition Liens of any other person or entity (including, without limitation, the Primed Liens). The DIP Liens and the DIP Super-Priority Claims (A) shall not be subject to Sections 506(c), 510, 549, 550 or 551 of the Bankruptcy Code, (B) shall not be subordinate to, or *pari passu* with, (x) any Lien that is avoided and preserved for the benefit of the Debtors and their estates under Section 551 of the Bankruptcy Code or (y) any other intercompany or affiliate Liens of the Debtors, and (C) shall be valid and enforceable in any Successor Case and/or upon the dismissal of any of the Chapter 11 Cases.

(g) *Super-Priority Administrative Claim Status.* In addition to the DIP Liens granted herein, effective immediately upon entry of this Final Order the Intercompany Loan shall constitute an allowed super-priority administrative claim pursuant to Section 364(c)(1) of the Bankruptcy Code, which shall have priority, subject only to the payment of the Carve-Out, over all administrative expense claims, adequate protection and other diminution claims (including the Adequate Protection Super-Priority Claims), unsecured claims and all other claims against the Debtors, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses or other claims of the kinds specified in, or ordered pursuant to, Sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 and 1114 or any other provision of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment (the *"DIP Super-Priority Claims"*). The DIP Super-Priority Claims shall for purposes of Section 1129(a)(9)(A) of the Bankruptcy Code be considered administrative expenses allowed under Section 503(b) of the Bankruptcy Code, shall be against each Debtor on a joint and several basis, and shall be payable from and have recourse to all prepetition and postpetition property of the Debtors and their estates and all proceeds thereof after funding of either (i) the Maximum Carve-Out Amount to the extent the Cash Collateral Termination Date shall have occurred or (ii) all amounts set forth in section 4(b) of the Sale Support Agreement to the extent the Cash Collateral Termination Date shall not have occurred and the Sale shall have been consummated, in each case, in accordance with the terms of this Final Order. Other than as provided in this Final Order with respect to the Carve-Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under Sections 328, 330, and 331 of the Bankruptcy Code, or otherwise, that have been or may be incurred in these proceedings, or in any Successor Cases, and no priority claims are, or will be, senior to, prior to or on a parity with the DIP Liens and the DIP Super-Priority Claims.

6. *Automatic Postpetition Lien Perfection.* This Final Order shall be sufficient and conclusive evidence of the validity, enforceability, perfection and priority of the Adequate Protection Replacement Liens and the DIP Liens without the necessity of (a) filing or recording any financing statement, deed of trust, mortgage, or other instrument or document which may otherwise be required under the law of any jurisdiction or (b) taking any other action to validate or perfect the Adequate Protection Replacement Liens and the DIP Liens or to entitle the Adequate Protection Replacement Liens and the DIP Liens to the priorities granted herein. Notwithstanding the foregoing, each of the First Lien Agent, the Second Lien Agent and the Postpetition Lender, as applicable (in the case of the First Lien Agent and Second Lien Agent, solely with respect to the Adequate Protection Replacement Liens and in the case of the Postpetition Lender, solely with respect to the DIP Liens), may, in its sole discretion, file financing statements, mortgages, security agreements, notices of Liens and other similar documents, and is hereby granted relief from the automatic stay of Section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, security agreements, notices and other agreements or

documents shall be deemed to have been filed or recorded on the Petition Date. The applicable Debtors shall execute and deliver to each of the First Lien Agent, the Second Lien Agent and the Postpetition Lender, as applicable, all such financing statements, mortgages, notices and other documents as such party may reasonably request to evidence and confirm the contemplated priority of the Adequate Protection Replacement Liens or DIP Liens, as applicable, granted pursuant hereto. Without limiting the foregoing, each of the First Lien Agent, the Second Lien Agent and the Postpetition Lender, as applicable, in its sole discretion, may file a photocopy of this Final Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the subject filing or recording officer shall be authorized to file or record such copy of this Final Order. Any provision of any lease, loan document, easement, use agreement, proffer, covenant, license, contract, organizational document, or other instrument or agreement that requires the payment of any fees or obligations to any governmental entity or non-governmental entity in order for the Debtors to pledge, grant, mortgage, sell, assign, or otherwise transfer any fee or leasehold interest or the proceeds thereof or other Adequate Protection Collateral or DIP Collateral, is and shall be deemed to be inconsistent with the provisions of the Bankruptcy Code and shall have no force or effect with respect to the Liens on such leasehold interests or other applicable Adequate Protection Collateral or DIP Collateral or the proceeds of any assignment and/or sale thereof by any Debtor in favor of the Prepetition Secured Parties or Postpetition Lender, as applicable, in accordance with the terms of this Final Order. To the extent that the First Lien Agent or Second Lien Agent is the secured party under any account control agreements, listed as loss payee under any of the Debtors' insurance policies or is the secured party under any First Lien Document or Second Lien Document, the Postpetition Lender shall also be deemed to be the secured party under such account control agreements, loss payee under the Debtors' insurance policies and the secured party under each such First Lien Loan Document or Second Lien Loan Document, shall have all rights and powers attendant to that position (including, without limitation, rights of enforcement) and shall act in that capacity and distribute any proceeds recovered or received first for its benefit and second, subsequent to payment in full of the Intercompany Loan, for the benefit of the Prepetition Secured Parties. The First Lien Agent or Second Lien Agent, as applicable, shall serve as agent for the Postpetition Lender for purposes of perfecting its Liens on all Adequate Protection Collateral that is of a type such that perfection of a Lien therein may be accomplished only by possession or control by a secured party.

7. *Reservation of Certain Third Party Rights and Bar of Challenges and Claims.* The Debtors' Stipulations shall be binding upon the Debtors and Graceway Canada in all circumstances, subject to the rights of other parties in interest only to the extent set forth in this paragraph 7. The Debtors' Stipulations shall be binding upon each such other party in interest, including the Committee and any Chapter 7 trustee or Chapter 11 trustee, unless (i) the Committee or any other party in interest (other than the Debtors or Graceway Canada) obtains the prior (and not *nunc pro tunc*) consent of this Court to commence and actually commences, or, if the Chapter 11 Cases are converted to cases under Chapter 7 and a Chapter 7 trustee is appointed and/or elected, or if a Chapter 11 trustee is appointed, in either case prior to the expiration of the applicable Challenge Period (as defined below), such Chapter 7 trustee or Chapter 11 trustee, as applicable, actually commences, on or before January 19, 2012 (with respect to the Committee) (provided, however, that the Committee must commence any Claims and Defenses (as defined below) challenging the nature, extent, perfection, validity or priority of any or all of the liens or security interests asserted by the First Lien Claimholders or Second Lien Claimholders (such Claim and Defense, a *"Challenge"*) no later than the earlier of December 20, 2011 and the date the Sale is consummated) or December 14, 2011 (with respect to any other party in interest) (each such time period, as applicable, shall be referred to as a *"Challenge Period,"* and the date that is the last calendar day of each applicable Challenge Period, in the event that no objection or challenge is raised during such Challenge Period, shall be referred to as a *"Challenge Period Termination Date"*), (x) a contested matter or adversary proceeding challenging or otherwise objecting to the admissions, stipulations, findings or releases included in the Debtors' Stipulations, or (y) a contested matter or adversary proceeding against any or all of the Prepetition Secured Parties in connection with or related to the Prepetition Obligations, or the actions or inactions of any or all. of the Prepetition Secured Parties arising out. of or related to the Prepetition Obligations, or otherwise, including, without limitation, any claim against any or all of the Prepetition Secured Parties in the nature of a "lender liability" cause of action, setoff, counterclaim or defense to the Prepetition Obligations (including but not limited to those under Sections 544, 547, 548, 549, 550 and/or 552 of the Bankruptcy Code or by way of suit against

any or all of the Prepetition Secured Parties) (the objections, challenges, actions and claims referenced in clauses (x) and (y), collectively, the *"Claims and Defenses"*), and (ii) such duly authorized plaintiff or movant obtains a final and non-appealable judicial ruling in its favor in any such timely and properly commenced contested matter or adversary proceeding; *provided,* that as to the Debtors, for themselves and not their estates, and Graceway Canada, for itself and not its estate, all such Claims and Defenses are irrevocably waived and relinquished as of the Petition Date. If a Chapter 7 trustee or a Chapter 11 trustee is appointed or elected, as applicable, in each case prior to December 14, 2011, the Challenge Period Termination Date with respect to such trustee only shall be the later of(i) December 14, 2011 and (ii) the date that is twenty (20) days after the date on which such trustee is first appointed. Until the applicable Challenge Period Termination Date, any party in interest (other than the Debtors and Graceway Canada, but including the Committee) may assert any applicable Claims and Defenses. If no Claims and Defenses with respect to the First Lien Claimholders or First Lien Obligations have been timely authorized and asserted in any such adversary proceeding or contested matter in accordance with this paragraph 7, then, upon the applicable Challenge Period Termination Date, and for all purposes in these Chapter 11 Cases and any Successor Case, (i) all payments made to the First Lien Claimholders pursuant to the Interim Order and this Final Order or otherwise shall not be subject to any counterclaim, set-off, recoupment, subordination, recharacterization, defense or avoidance, (ii) any and all.such Claims and Defenses by. any party in interest shall be deemed to be forever released, waived and barred with respect to the First Lien Claimholders, (iii) the First Lien Obligations shall be permanently deemed to be an allowed claim, and (iv) the Debtors' Stipulations with respect to the First Lien Claimholders, including, without limitation, the release provisions therein, shall be binding on all parties in interest, including the Committee and any Chapter 7 or Chapter 11 trustee. If no Claims and Defenses with respect to the Second Lien Claimholders or Second Lien Obligations have been timely asserted in any such adversary proceeding or contested matter in accordance with this paragraph 7, then, upon the applicable Challenge Period Termination Date, and for all purposes in these Chapter 11 Cases and any Successor Case, (i) any and all such Claims and Defenses by any party in interest shall be deemed to be forever released, waived and barred with respect to the Second Lien Claimholders and (ii) the Debtors' Stipulations with respect to the Second Lien Claimholders, including, without limitation, the release provisions therein, shall -be binding on all parties in interest, including the Committee and any Chapter 7 or Chapter 11 trustee. Notwithstanding the foregoing, to the extent any Claims and Defenses are timely asserted in any such adversary proceeding or contested matter, (x) the Debtors' Stipulations and the other provisions in clauses (i) through (iv) or clauses (i) and (ii), as applicable, in the immediately preceding sentences shall nonetheless remain binding and preclusive on the Committee (and any subsequent Chapter 7 trustee or Chapter 11 trustee of the Debtors' estates) and on any other party in interest from and after the applicable Challenge Period Termination Date, except solely with respect to the party in interest timely being authorized to assert and actually asserting such Claims and Defenses to the extent that such Debtors' Stipulations or the other provisions in clauses (i) through (iv) or clauses (i) and (ii), as applicable, in the immediately preceding sentences were expressly challenged in such timely adversary proceeding or contested matter, and (y) any portion of the Debtors' Stipulations or other provisions in clauses (i) through (iv) or clauses (i) and (ii), as applicable, in the immediately preceding sentences that is the subject of a timely authorized and filed Claim and Defense shall become binding and preclusive on such party in interest timely being authorized to assert and actually asserting such Claims and Defenses to the extent set forth in any final and non-appealable judicial order resolving such Claim and Defense. Each applicable Challenge Period in respect of the First Lien Obligations may be extended by written agreement of the First Lien Agent and the Majority First Lien Lenders, and in respect of the Second Lien Obligations may be extended by written agreement of the Second Lien Agent and the Required Lenders (as defined in the Second Lien Credit Agreement), as applicable, in their sole discretion without further order of the Court. Nothing in this Final Order vests or confers on any person or entity, including the Committee, standing or authority to pursue any Claims and Defenses or other cause of action belonging to any or all of the Debtors or their estates, including, without limitation, any Claims and Defenses or other claim against any Prepetition Secured Parties. Local Rule 9006-2 shall not apply to extend the applicable Challenge Period for the Committee or any other party in interest.

8. *Carve-Out.* Subject to the terms and conditions contained in this paragraph 8, each of the DIP Liens, DIP Super-Priority Claims, Prepetition Liens, Prepetition Obligations, Adequate Protection Replacement Liens and Adequate Protection Super-Priority Claims shall be subject and subordinate to payment of the Carve-Out (as defined below):

(a) For purposes of this Final Order, *"Carve-Out"* means (i) all unpaid fees required to be paid in these Chapter 11 Cases to the clerk of this Court and to the office of the United States Trustee under 28 U.S.C. § 1930(a), whether arising prior to or after the delivery of the Carve-Out Trigger Notice (as defined below); (ii) all reasonable and documented unpaid fees and expenses, including, without limitation, success fees, of professionals retained by the Debtors in these Chapter 11 Cases (collectively, the *"Debtors' Professionals"*) that are incurred and earned prior to the delivery by the First Lien Agent of a Carve-Out Trigger Notice, have been or are subsequently allowed by this Court under Sections 105(a), 330 and 331 of the Bankruptcy Code, do not exceed the cumulative amount budgeted for each such Debtors' Professional in the applicable line item therefor in the Approved Budget and remain unpaid after application of any retainers (each such budgeted amount, a *"Debtors' Professionals Carve-Out Cap"*); (iii) all reasonable and documented unpaid fees and expenses of professionals retained by the Committee in these Chapter 11 Cases (collectively, the *"Committee's Professionals"*) and all reasonable and documented unpaid expenses of the members of such Committee (*"Committee Members"*) that are, in each case, incurred and earned prior to the delivery by the First Lien Agent of a Carve-Out Trigger Notice arid have been or are subsequently allowed by this Court under Sections 105(a), 330 and 331 of the Bankruptcy Code, in an aggregate amount (for both Committee Members and the Committee's Professionals) not to exceed $1,000,000 (the *"Committee Professionals Carve-Out Cap"*); (iv) all reasonable and documented unpaid fees and expenses, including, without limitation, success fees, of the Debtors' Professionals that are incurred and/or earned on or after the delivery by the First Lien Agent of a Carve-Out Trigger Notice, that are allowed by this Court under Sections 105(a), 330 and 331 of the Bankruptcy Code and remain unpaid after application of any retainers, in an aggregate amount not to exceed the sum of (A) if not paid prior to delivery by the First Lien Agent of a Carve-Out Trigger Notice, the Sale Transaction Fee due and owing to Lazard Frères & Co. LLC (*"Lazard"*) as defined in and pursuant to the terms of that certain engagement letter, dated March 12, 2010, between Lazard and the Borrower (the *"Lazard Success. Fee"*) and (B) $1,250,000 (the *"Debtors' Professionals Post Carve-Out Cap"*); (v) all reasonable and documented unpaid fees and expenses of the Committee Professionals that are incurred and/or earned on or after the delivery by the First Lien Agent of a Carve-Out Trigger Notice and are allowed by this Court under Sections 105(a), 330 and 331 of the Bankruptcy Code, in an aggregate amount not to exceed $50,000 (the *"Committee Professionals Post Carve-Out Cap* and together with the Debtors' Professionals Carve-Out Cap, the Debtors' Professionals Post Carve-Out Cap and Committee Professionals Carve-Out Cap, the *"Carve-Out Cap"*); and (vi) payment of the Expense Reimbursement Amount solely in accordance with the terms of the Asset Purchase Agreement and the Bidding Procedures Order (clauses (i) through (vi), collectively, the *"Carve-Out"*). The term *"Carve-Out Trigger Notice"* shall mean a written notice delivered by the First Lien Agent to the Debtors' lead counsel, counsel for the Postpetition Lender, the U.S. Trustee, counsel for the Second Lien Agent, and counsel to the Committee appointed in these Chapter 11 Cases, which notice may be delivered at any time following the occurrence and during the continuation of any Event of Default, expressly stating that the Carve-Out is invoked.

(b) Any payments actually made pursuant to Bankruptcy Code Sections 327, 328, 330, 331, 363, 503, 1103 or otherwise to Debtors' Professionals or Committee's Professionals shall in the case of any payments made on account of any fees and expenses described in clauses (iii), (iv) and (v) of the definition of Carve-Out, reduce the applicable Carve-Out Cap on a dollar-for-dollar basis.

(c) In the case of the Debtors' Professionals (other than Latham & Watkins LLP and Alvarez & Marsal North America, LLC), any and all retainers shall be applied no later than the date on which the Sale is consummated, it being understood, for the avoidance of doubt, that any retainer received by any Debtors' Professional (including Latham & Watkins LLP and Alvarez & Marsal North America, LLC) shall be counted against, and shall not be in addition to, the aggregate amount budgeted for such Debtors' Professional in the Approved Budget.

(d) Notwithstanding any provision in this paragraph 8 to the contrary or otherwise, no portion of the Carve-Out, Cash Collateral, Prepetition Collateral, Adequate Protection Collateral, DIP Collateral or proceeds of the Intercompany Loan shall be utilized for the payment of professional fees and disbursements to the extent restricted under paragraph 15 hereof.

(e) Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any of the Debtors, the Committee, any other official or unofficial committee in these Chapter 11 Cases, or of any other person or entity, or shall affect the right of any Prepetition Secured Party to object to the allowance and payment of such fees and expenses.

(f) On the Cash Collateral Termination Date, if any, the Debtors shall use the proceeds of the Intercompany Loan (subject to paragraph 5(a) above) and Cash Collateral (including, for the avoidance of doubt, proceeds of any liquidated Adequate Protection Collateral) to fund an amount equal to the unused portion of the Maximum Carve-Out Amount into an interest-bearing reserve escrow at a financial institution reasonably acceptable to the First Lien Agent (the *"Carve-Out Escrow Account"*) in full and complete satisfaction of the Postpetition Lender's, First Lien Agent's, Second Lien Agent's, First Lien Claimholders' and Second Lien Claimholders' obligations in respect of the Carve-Out; *provided, however,* that any unused amounts held in the Carve-Out Escrow Account shall continue to be subject to the DIP Liens, Adequate Protection Replacement Liens and Prepetition Liens in accordance with the terms hereof. The. funds held in the Carve-Out Escrow. Account shall only be used by the Debtors to pay such amounts if and when incurred, earned and allowed by this Court under Sections 105(a), 330 and 331 of the Bankruptcy Code (and, with respect to payment the Expense Reimbursement Amount, solely in accordance with the terms of the Asset Purchase Agreement and the Bidding Procedures Order). For the avoidance of doubt, (i) the portion of the Carve-Out Escrow Account pertaining to the period prior to the delivery of the Carve-Out Trigger Notice allocated to each applicable retained professional shall be limited to the amount set forth in the Approved Budget for such professional, (ii) (except for the Lazard Success Fee, which shall be allocated to Lazard) the portion of the Carve-Out Escrow Account pertaining to the Debtors' Professionals Post Carve-Out Cap shall be allocated to each applicable retained Debtors' professional based upon the amount set forth in the Approved Budget for such professional for the period prior to the delivery of a Carve-Out Trigger Notice divided by the total amount set forth in the Approved Budget for all of the Debtors' professionals during the period prior to the delivery of a Carve-Out Trigger Notice and (iii) the portion of the Carve-Out Escrow Account pertaining to the Committee Professionals Post Carve-Out Cap shall be allocated to each applicable retained Committee professional based upon the amount set forth in the Approved Budget for such professional for the period prior to the delivery of a Carve-Out Trigger Notice divided by the total amount set forth in the Approved Budget for all of the Committee professionals during the period prior to the delivery of a Carve-Out Trigger Notice.

9. *Waiver of Section 506(c) Claims.* As a further condition to the Debtors' use of the Prepetition Collateral, including, without limitation, the Cash Collateral, and to the payment of the Carve-Out to the extent provided herein, no costs or expenses of administration of the Chapter 11 Cases or any Successor Case (including, without limitation, any costs and expenses of preserving or disposing of property securing the Prepetition Obligations) shall be charged against or recovered from or against any or all of the Prepetition Secured Parties, the Adequate Protection Collateral, the DIP Collateral, the Prepetition Collateral, and the Cash Collateral, in each case, pursuant to. Section 506(c) of the Bankruptcy Code or otherwise, without the prior written consent of the First Lien Agent and the Majority First Lien Lenders and no such consent shall be implied from any other action, inaction, or acquiescence of any or all of the First Lien Claimholders.

10. *After-Acquired Property.* The "equities of the case" exception of Section 552 of the Bankruptcy Code shall not apply.

11. *Protection of First Lien Secured Parties' Rights.*

(a) Unless the First Lien Agent and Approving Majority First Lien Lenders shall have provided their prior written consent, there shall not be entered in these proceedings, or in any Successor Case, any order (other than the Interim Order and this Final Order) which authorizes the obtaining of credit or the incurrence of indebtedness that is secured by a security, mortgage, or collateral interest or other Lien on all or any portion of the Adequate Protection Collateral and/or that is entitled to administrative priority status, in each case which is superior to or *pari passu* with the Adequate Protection Replacement Liens granted to the First Lien Agent for the benefit of the First Lien Claimholders and the

Adequate Protection Super-Priority Claims granted to the First Lien Claimholders (except the Intercompany Loan and any such indebtedness used to refinance the First Lien Obligations in full).

(b) The Debtors (and/or their legal and financial advisors) will (i) maintain books, records and accounts to the extent and as required by the First Lien Documents, (ii) cooperate with, consult with, and provide to the First Lien Agent and the Majority First Lien Lenders all such information as required or allowed under the First Lien Documents or the provisions of this Final Order, (iii) permit representatives of the First Lien Agent and Majority First Lien Lenders such rights to visit and inspect any of the Debtors' respective properties, to examine and make abstracts or copies from any of their respective books and records, to conduct a collateral audit and analysis of their respective inventory and accounts, to tour the Debtors' business premises and other properties, and to discuss, and consult with respect to, the Debtors' respective affairs, finances, properties, business operations and accounts with the Debtors' respective officers, employees and independent public accountants and (iv) permit the First Lien Agent, the Majority First Lien Lenders and their respective representatives, to consult with the Debtors' management and advisors on matters concerning the general status of the Debtors' businesses, financial condition and operations.

12. *Cash Collection.* From and after the date of the entry of the Interim Order, all collections and proceeds of any DIP Collateral, Adequate Protection Collateral or Prepetition Collateral or services provided by any Debtor and all Cash Collateral which shall at any time come into the possession, custody or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in the same bank accounts into which the collections and proceeds of the Prepetition Collateral were deposited under the First Lien Documents (or in such other accounts as are designated by First Lien Agent from time to time).

13. *Disposition of Collateral.* Except for the Sale and as otherwise permitted under this Final Order, the Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the Prepetition Collateral, Adequate Protection Collateral or DIP Collateral outside of the ordinary course of business without the prior written consent of the First Lien Agent and the Majority First Lien Lenders (with. respect to the Prepetition Collateral and Adequate Protection Collateral) or Postpetition Lender (with respect to the DIP Collateral), as applicable, (and no such consent shall be implied from any other action, inaction or acquiescence by the First Lien Agent or any First Lien Lender or any order of this Court). Upon any sale or disposition of substantially all of the Adequate Protection Collateral, (i) to the extent the Cash Collateral Termination Date shall have occurred, the Maximum Carve-Out Amount shall be funded and the Intercompany Loan shall be paid in full pursuant to paragraph 5(d) before any payments shall be made on account of the First Lien Obligations and (ii) to the extent the Cash Collateral Termination Date shall not have occurred, all amounts set forth in section 4(b) of the Sale Support Agreement shall be funded and the Intercompany Loan shall be paid in full pursuant to paragraph 5(d) before any payments shall be made on account of the First Lien Obligations.

14. *Relief from Automatic Stay.*

(a) Any automatic stay otherwise applicable to the First Lien Claimholders is hereby modified, without requiring prior notice to or authorization of this Court, to the extent necessary to permit the Approving Majority First Lien Lenders to exercise the following remedies immediately upon the occurrence and during the continuance of an Event of Default (subject to the limitations set forth in this Paragraph 14): (i) declare a termination, reduction or restriction on the ability of the Debtors to use any Cash Collateral, including Cash Collateral derived solely from the proceeds of Adequate Protection Collateral, and to use Prepetition Collateral other than in the ordinary course (any such declaration to be made to the Debtors, the Postpetition Lender, counsel to the Committee and the United States Trustee and to be referred to herein as a *"Termination Declaration"* and the date on which the earliest of any such Termination Declaration occurs being herein referred to as the *"Termination Declaration Date"*) and/or (ii) reduce any claim to judgment.

(b) During the five (5) Business Day period after the Termination Declaration Date, the Debtors and the Committee shall be entitled to an emergency hearing before the Court for the sole purpose of contesting whether an Event of

Default has occurred and Section 105 of the Bankruptcy Code may not be invoked by the Debtors in an effort to restrict or preclude any First Lien Lender from exercising any rights or remedies set forth in this Final Order. Unless during such period the Court determines that an Event of Default has not occurred and/or is not continuing, this Final Order shall automatically terminate (or, if the Approving Majority First Lien Lenders shall have specified, in their sole discretion, in the Termination Declaration that the Prepetition Collateral, including, without limitation, Cash Collateral, use arrangement set forth herein shall instead be reduced or restricted, such use arrangement shall be so reduced or restricted) at the end of such five (5) Business Day period in accordance with paragraph 3(c), without further notice or order. During such five (5) Business Day period, the Debtors may not use Cash Collateral except to pay payroll and other expenses critical to keep the business of the Debtors operating, in each case, in accordance with the Approved Budget.

(c) The automatic stay imposed under Bankruptcy Code Section 362(a) is hereby modified pursuant to the terms of this Final Order as necessary to (i) permit the Debtors to grant the Adequate Protection Replacement Liens and the DIP Liens and to incur all liabilities and obligations to the Prepetition Secured Parties and the Postpetition Lender under this Final Order, (ii) authorize the Postpetition Lender to retain and apply payments hereunder in connection with an Intercompany Loan Default and (iii) otherwise implement and effectuate the provisions of this Final Order.

15. *Restriction on Use of Proceeds.* Notwithstanding. anything herein to the contrary, no proceeds from the Intercompany Loan, Adequate Protection Collateral, DIP Collateral, Cash Collateral (including any prepetition retainers funded by any or all of the Prepetition Secured Parties), Prepetition Collateral, or any portion of the Carve-Out may be used by any of the Debtors, the Committee, any trustee or other estate representative appointed in the Chapter 11 Cases or any Successor Case, or any other person, party or entity to (or to pay any professional fees and disbursements incurred in connection therewith) (a) request authorization to obtain postpetition loans or other financial accommodations pursuant to Bankruptcy Code Section 364(c) or (d), or otherwise, other than the Intercompany Loan or loans used to refinance the First Lien Obligations in full; or (b) investigate (except as set forth below), assert, join, commence, support or prosecute any action for any claim, counter-claim, action, proceeding, application, motion, objection, defense, or other contested matter seeking any order, judgment, determination or similar relief against, or adverse to the interests of, in any capacity, any or all of the Prepetition Secured Parties and their respective officers, directors, employees, agents, attorneys, affiliates, assigns, or successors, with respect to any transaction, occurrence, omission, action or other matter (including formal discovery proceedings in anticipation thereof), including, without limitation, (i) any Claims and Defenses or any Avoidance Actions, in each case, with respect to the Prepetition Secured Parties; (ii) any so-called "lender liability" claims and causes of action with respect to the Prepetition Secured Parties; (iii) any action with respect to the validity, enforceability, priority and extent of the Prepetition Obligations, or the validity, extent, perfection and priority of the Prepetition Liens or the Adequate Protection Replacement Liens (or the value of any of the Prepetition Collateral or Adequate Protection Collateral); (iv) any action seeking to invalidate, set aside, avoid or subordinate, in whole or in part, the Prepetition Liens, the Adequate Protection Replacement Liens or the other Prepetition Secured Parties' Adequate Protection; and/or (v) any action seeking to modify any of the rights, remedies, priorities, privileges, protections and benefits granted to any or all of the Prepetition Secured Parties hereunder or the Prepetition Documents; *provided, however,* up to $65,000 in the aggregate of the Committee Professionals Carve-Out Cap and Committee Professionals Post Carve-Out Cap, any Adequate Protection Collateral, any Prepetition Collateral and any Cash Collateral may be used by the Committee to investigate (but not prosecute) the extent, validity and priority of the Prepetition Obligations, the Prepetition Liens or any other claims against the Prepetition Secured Parties so long as such investigation occurs no later than the earlier of December 20, 2011 and the date the Sale is consummated.

16. *Proofs of Claim.* The First Lien Agent, the First Lien Claimholders, the Second Lien Agent and the Second Lien Claimholders will not be required to file proofs of claim in any of the Chapter 11 Cases or Successor Cases for any claim allowed herein. The Debtors' Stipulations in paragraph D herein shall be deemed to constitute a timely filed proof of claim for the First Lien Agent, the First Lien Claimholders, the Second Lien Agent and the Second Lien Claimholders, as applicable. Notwithstanding any order entered by this Court in relation to the establishment of a bar date in any of the Chapter 11 Cases or Successor Cases to the contrary, the First Lien Agent for the benefit of itself and the other

First Lien Claimholders and the Second Lien Agent for the benefit of itself and the other Second Lien Claimholders is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as it sees fit) a proof of claim and/or aggregate proofs of claim in each of the Chapter 11 Cases or Successor Cases for any claim allowed herein or otherwise.

17. *Preservation of Rights Granted under the Final Order.*

(a) *No Non-Consensual Modification or Extension of.Final Order.* The Debtors shall not seek, and it shall constitute an Event of Default (resulting, among other things, in the termination of the Debtors' right to use the Prepetition Collateral, including, without limitation, the Cash Collateral and the immediate maturity of the Intercompany Loan) if there is entered (except as otherwise provided herein) an order amending, supplementing, extending or otherwise modifying this Final Order without the prior written consent of the First Lien Agent and the Majority First Lien Lenders, and no such consent shall be implied by any other action, inaction or acquiescence.

(b) *Dismissal.* If any order dismissing any of the Chapter 11 Cases under Section 1112 of the Bankruptcy Code or otherwise is at any time entered, such order shall provide (in accordance with Sections 105 and 349 of the Bankruptcy Code), to the fullest extent permitted by law, that (i) the Prepetition Secured Parties' Adequate Protection and DIP Protections shall continue in full force and effect and shall maintain their priorities as provided in this Final Order until all Prepetition Secured Parties' Adequate Protection or the Intercompany Loan, as applicable, have been paid in full in cash or are otherwise satisfied in full (and that the Prepetition Secured Parties' Adequate Protection and DIP Protections shall, notwithstanding such dismissal, remain binding on all parties in interest), and (ii) to the extent allowed by applicable law this Court shall retain jurisdiction, notwithstanding such dismissal, for the purposes of enforcing the Prepetition Secured Parties' Adequate Protection and DIP Protections.

(c) *Modification of Final Order.* Based on the findings set forth in this Final Order and in accordance with Section 364(e) of the Bankruptcy Code, which is applicable to the Intercompany Loan contemplated by this Final Order, in the event any or all of the provisions of this Final Order are hereafter reversed, modified, vacated or stayed by a subsequent order of this Court or any other court, the Postpetition Lender shall be.entitled to the protections provided in Section 364(e) of the Bankruptcy Code.

(d) *Survival of Final Order.* The provisions of this Final Order, any actions taken pursuant hereto, the Prepetition Secured Parties' Adequate Protection, the DIP Protections and all other rights, remedies, Liens, priorities, privileges, protections and benefits granted to any of the Prepetition Secured Parties or the Postpetition Lender shall survive, and shall not be modified, impaired or discharged by, the entry of any order confirming any plan of reorganization or liquidation in any Chapter 11 Case, converting any Chapter 11 Case to a case under Chapter 7, dismissing any of the Chapter 11 Cases, withdrawing of the reference of any of the Chapter 11 Cases or any Successor Case or providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court, or terminating the joint administration of these Chapter 11 Cases or by any other act or omission. The terms and provisions of this Final Order, including the Prepetition Secured Parties' Adequate Protection, the DIP Protections and all other rights, remedies, Liens, priorities, privileges, protections and benefits granted to any of the Prepetition Secured Parties or Postpetition Lender, shall continue in full force and effect notwithstanding the entry of any such order, and the Prepetition Secured Parties' Adequate Protection and DIP Protections shall continue in these proceedings and in any Successor Case, and shall maintain their respective priorities as provided by this Final Order.

18. *Other Rights and Obligations.*

(a) *Binding Effect.* Subject to paragraph 7 above, the provisions of this Final Order, including all findings herein, shall be binding upon all parties in interest in these Chapter 11 Cases, including, without limitation, (i) the Prepetition Secured Parties, the Committee, the Debtors and the Postpetition Lender and their respective successors and assigns, (ii) any

Chapter 7 or Chapter 11 trustee hereinafter appointed or elected for the estate of any of the.Debtors, (iii) an examiner appointed pursuant to Section 1104 of the Bankruptcy Code and (iv) any other fiduciary or responsible person appointed as a legal representative of any of the Debtors or with respect to the property of the estate of any of the Debtors, in each case, whether in any of the Chapter 11 Cases, in any Successor Cases, or upon dismissal of any such Chapter 11 Case or Successor Case; *provided, however,* that the Prepetition Secured Parties shall have no obligation to permit the use of Prepetition Collateral, including, without limitation, the Cash Collateral, by any Chapter 7 or Chapter 11 trustee or other responsible person appointed for the estates of the Debtors in any Chapter 11 Case or Successor Case, other than the Debtors in accordance with the terms hereof.

(b) *No Waiver.* The failure of the First Lien Claimholders to seek relief or otherwise exercise their rights and remedies under this Final Order, the First Lien Documents or otherwise (or any delay in seeking or exercising same) shall not constitute a waiver of any of such parties' rights hereunder, thereunder, or otherwise. Except as expressly provided herein, nothing contained in this Final Order (including, without limitation, the authorization of the use of any Prepetition Collateral, including, without limitation, Cash Collateral) shall impair or modify any rights, claims or defenses available in law or equity to any First Lien Claimholder, including, without limitation, rights of a party to a swap agreement, securities contract, commodity contract, forward contract or repurchase agreement with a Debtor to assert rights of setoff or other rights with respect thereto as permitted by law (or the right of a Debtor to contest such assertion). Except as prohibited by this Final Order and the First Lien Documents, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair, the ability of the First Lien Claimholders under the Bankruptcy Code or under non-bankruptcy law to (i) request conversion of the Chapter. 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of Section 1121 of the Bankruptcy Code, any Chapter 11 plan or plans with respect to any of the Debtors, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) of the First Lien Claimholders. Except to the extent otherwise expressly provided in this Final Order, neither the commencement of the Chapter 11 Cases nor the entry of this Final Order shall limit or otherwise modify the rights and remedies of the First Lien Claimholders with respect to non-Debtor entities or their respective assets, whether such rights and remedies arise under the First Lien Documents, applicable law, or equity.

(c) *No Third Party Rights.* Except as explicitly provided for herein, this Final Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary. The First Lien Claimholders shall not (i) be deemed to be in control of the operations of the Debtors or (ii) owe any fiduciary duty to the Debtors, their respective creditors, shareholders or estates, in either case on account of their permitting the use of the Prepetition Collateral, including, without limitation, the Cash Collateral, or their exercising any rights or remedies as and when permitted pursuant to this Final Order.

(d) *No Marshaling.* Neither the First Lien Claimholders nor the Postpetition Lender shall be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the Adequate Protection Collateral or the Prepetition Collateral, as applicable.

(e) *Amendments.* Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions hereof shall be effective unless set forth in writing, signed by on behalf of all the Debtors and the First Lien Agent (after having obtained the approval of the Majority First Lien Lenders) and, except as provided herein, approved by this Court; *provided, however,* that any waiver, modification or amendment of any of the provisions hereof relating to the Intercompany Loan shall also be signed by or on behalf of the Postpetition Lender.

(f) *Inconsistency.* In the event of any inconsistency between the terms and conditions of the Prepetition Documents and the terms and conditions of this Final Order, the provisions of this Final Order shall govern and control.

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

(h) *Headings.* Paragraph headings used herein are for convenience only and are not to affect the construction of or to be taken into consideration in interpreting this Final Order.

(i) Any reports or notices required to be given by the Debtors under this Final Order shall concurrently be provided to counsel for the Committee.

19. *[Reserved].*

20. *Retention of Jurisdiction.* The Court has and will retain jurisdiction to enforce this Final Order according to its terms.

Dated: November 7, 2011

Wilmington, Delaware

<<signature>>

UNITED STATES BANKRUPTCY JUDGE

Footnotes

1 The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Graceway Pharma Holding Corp., a Delaware corporation (9175), Case No. 11-13037 (PJW); Graceway Holdings, LLC, a Delaware limited liability company (2502), Case No. 11-13038 (PJW); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385), Case No. 11-13036 (PJW); Chester Valley Holdings, LLC, a Delaware limited liability company (9457), Case No. 11-13039 (PJW); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713), Case No. 11-13041 (PJW); Graceway Canada Holdings, Inc., a Delaware corporation (6663), Case No. 11-13042 (PJW); and Graceway International, Inc., a Delaware corporation (2399), Case No. 11-13043 (PJW). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy). On October 4, 2011, Graceway Canada Company filed an application in the Ontario Superior Court of Justice (Commercial List) pursuant to the *Courts of Justice Act,* R.S.O. 1990, c. C. 43.

2 Unless otherwise specified, all capitalized terms used herein without definition shall have the respective meanings given such terms in the First Lien Credit Agreement (as defined below).

3 Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact, pursuant to Bankruptcy Rule 7052.

4 The Wind-Down Approved Budget currently contains an estimate for such amount

End of Document

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Appendix II

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2009 WL 7226692
Only the Westlaw citation is currently available.
United States Bankruptcy Court, D. Delaware.

In re TRUE TEMPER SPORTS, INC., et al., Debtors. [1]

No. 09–13446 (PJW).
|
Oct. 30, 2009.

Attorneys and Law Firms

Marion M. Quirk, Cole, Schotz, Meisel, Forman & Leonard, Wilmington, DE, for Debtors.

FINAL ORDER (I) AUTHORIZING DEBTORS (A) TO OBTAIN POSTPETITION SECURED FINANCING PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) AND 364(e) AND (B) TO UTILIZE CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363 AND (II) GRANTING ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES PURSUANT TO 11 U.S.C. §§ 361, 362, 363 AND 364

PETER J. WALSH, United States Bankruptcy Judge.

***1** Upon the motion, dated October 8, 2009, (the "**DIP Motion**"), of True Temper Sports, Inc. ("**True Temper Sports**" or "**Borrower**"), True Temper Corporation ("**Holdings**") and True Temper Sports–PRC Holdings ("**PRC**"), as debtors and debtors in possession (collectively, the "**Debtors**"), in the above-referenced cases (the "**Cases**"), seeking entry of a final order (this "**Final Order**") pursuant to sections 105, 361, 362, 363(b), 363(c)(2), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e), 365, 507 and 552 of chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (as amended, the "**Bankruptcy Code**"), and Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**") and Rule 4001–2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "**Local Rules**"), that, among other things:

(i) authorizes the Borrower to obtain, and authorizes each of Holdings and PRC (collectively, "**Guarantors**") to guarantee, jointly and severally, the Borrower's obligations in respect of, senior secured postpetition financing, which if approved on a final basis, would consist of:

(a) a senior secured, super priority, non-amortizing revolving credit facility of up to $10 million in aggregate principal amount (the "**Revolving DIP Loans**" and such credit facility, the "**Revolving DIP Facility**") pursuant to the terms of (x) this Final Order and the interim order approving the DIP Facilities (as defined below) that was previously entered by this Court on October 9, 2009 (Docket No. 53) (the "**Interim Order**"), (y) that certain Senior Secured Super–Priority Debtor–In–Possession Credit Agreement in substantially the form attached to the DIP Motion (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**DIP Credit Agreement**") [2] among Borrower, Holdings, General Electric Capital Corporation ("**GECC**") as sole lead arranger, sole bookrunner and sole syndication agent (in such capacity, "**DIP Arranger**") and as administrative agent and co-collateral agent (in such capacities, and including any successor administrative agent and co-collateral agent, the "**Revolving DIP Administrative Agent**") for itself and certain other financial institutions as revolving lenders (the "**Revolving DIP Lenders**" and together with the Revolving DIP Administrative Agent, collectively, the "**Revolving DIP Secured Parties**") and Credit Suisse, acting through its Cayman Islands Branch ("**Credit Suisse**"), as term agent and co-collateral agent (in such capacities, and including any successor administrative and co-collateral agent, the "**Roll Up DIP Administrative Agent**" and together with the Revolving DIP Administrative Agent, the "**DIP Administrative Agents**") for the Roll Up DIP Lenders (as defined below and together with the Revolving DIP Lenders, collectively, the "DIP Lenders") (the DIP Arranger, the Revolving DIP Administrative Agent, the Roll Up DIP Administrative Agent, and any other documentation agent, administrative agent, collateral agent, co-agent and other agents (and successor agents) for the DIP Lenders in respect of the DIP Facilities, collectively, the "**DIP Agents**" and together with the DIP Lenders and any letter of credit issuing banks, collectively, the "**DIP Secured Parties**"), and (z) any and all other Loan Documents (as defined in the DIP Credit Agreement) (together with the DIP Credit Agreement, collectively, the "**DIP Loan Documents**"); and

***2** (b) a roll up of $80 million of the Prepetition First Lien Indebtedness (as defined below) (the holders of such rolled up Prepetition First Lien Indebtedness, the "**Roll Up DIP Lenders**", and together with the Roll Up DIP Administrative Agent, collectively, the "**Roll Up DIP Secured Parties**") and such rolled-up Prepetition First Lien Indebtedness, the "**Roll Up DIP Loans**" and together with the Revolving DIP Loans, collectively, the "**DIP Loans**", and such credit facility, the "**Roll Up DIP Facility,**" and together with the Revolving DIP Facility, collectively, the "**DIP Facilities**"), subject to the terms and conditions of this Final Order, the Interim Order and the DIP Loan Documents (all DIP Loans (including all Roll Up DIP Loans) made to or for the benefit or account of, and all guaranties issued by, the respective Debtors pursuant to the DIP Loan Documents, the Interim Order and this Final Order, and all other obligations and liabilities of the Debtors arising under the DIP Loan Documents, the Interim Order and this Final Order, including, without limitation, all Obligations as defined in the DIP Credit Agreement, collectively, the "**DIP Obligations**");

(ii) approves the terms of, and authorizes the Debtors to execute and deliver, and perform under, the DIP Credit Agreement and the other DIP Loan Documents and to perform such other and further acts as may be required in connection with the DIP Loan Documents;

(iii) authorizes each Debtor to grant (x) to the DIP Administrative Agents, for the benefit of itself and the other DIP Secured Parties, Liens on all of the Collateral (as defined below) pursuant to sections 364(c) and (d) of the Bankruptcy Code, which Liens shall be senior to the Primed Liens (as defined below) but shall be junior to any valid, enforceable and non-avoidable Liens that are (A) in existence on the Petition Date, (B) either perfected as of the Petition Date or perfected subsequent to the Petition Date as permitted by section 546(b) of the Bankruptcy Code, and (C) senior in priority to the Prepetition Liens pursuant to applicable law, and (y) to the DIP Secured Parties super-priority administrative claims having recourse to all prepetition and postpetition property of the Debtors' estates, now owned or hereafter acquired, including Avoidance Actions (as defined below), and proceeds thereof;

(iv) authorizes the Debtors to use "cash collateral," as such term is defined in section 363 of the Bankruptcy Code (the "**Cash Collateral**"), including, without limitation, Cash Collateral in which the Prepetition Secured Parties (as defined below) and/or the DIP Secured Parties have a Lien or other interest, in each case whether existing on the Petition Date, arising pursuant to this Final Order, the Interim Order or otherwise;

(v) grants, as of the Petition Date and in accordance with the relative priorities set forth herein, certain adequate protection (x) to the Prepetition First Lien Secured Parties, consisting of, among other things, First Priority Adequate Protection Liens (as defined below) and current payment of accrued and unpaid prepetition and postpetition interest at the default rate and reimbursable fees and expenses, and (y) to the Prepetition Second Lien Secured Parties consisting of, among other things, Second Priority Adequate Protection Liens (as defined below);

***3** (vi) vacates the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the DIP Loan Documents, the Interim Order and this Final Order; and

(vii) waives any applicable stay (including under Bankruptcy Rule 6004) and provides for immediate effectiveness of the Interim Order and this Final Order.

Having considered the DIP Motion, the Declaration of Jason A. Jenne in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Credit Agreement, the evidence submitted at the interim hearing on the DIP Motion (the "**Interim Hearing**") and the evidence submitted at the final hearing on the DIP Motion (the "**Final Hearing**"); and the Interim Order having been entered on October 9, 2009; and in accordance with Bankruptcy Rules 2002, 4001(b), (c), and (d) and 9014 and all applicable Local Rules, due and proper notice of the DIP Motion, the Interim Hearing and the Final Hearing having been given; the Interim Hearing having been held and concluded on October 9, 2009 and the Final Hearing having been held and concluded on October 30, 2009; and it appearing that approval of the final relief requested in the DIP Motion is fair and reasonable and in the best interests of the Debtors, their creditors, their estates and their equity holders, and is essential for the continued operation of the Debtors' business; and after

due deliberation and consideration, and for good and sufficient cause appearing therefor:

IT IS FOUND, DETERMINED, ORDERED AND ADJUDGED[3], that:

A. ***Petition Date.*** On October 8, 2009 (the "**Petition Date**"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (the "**Court**"). The Debtors have continued in the management and operation of their business and property as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No statutory committee of unsecured creditors, trustee or examiner has been appointed in the Cases.

B. ***Jurisdiction and Venue.*** This Court has core jurisdiction over the Cases, the DIP Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Venue for the Cases and proceedings on the DIP Motion is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 105, 361, 362, 363, 364 and 507 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001, 6004 and 9014 and the Local Bankruptcy Rules.

C. ***Notice.*** The Final Hearing is being held pursuant to the authorization of Bankruptcy Rule 4001. In accordance with the Interim Order, notice of the entry of the Interim Order and of the Final Hearing, together with a copy of the Interim Order, have been served by the Debtors, by United States mail, first-class postage pre-paid, on October 10, 2009, to certain parties in interest, including: (i) the Office of the United States Trustee, (ii) the United States Securities and Exchange Commission, (iii) the Office of the United States Attorney for the District of Delaware, (iv) the Internal Revenue Service, (v) those entities or individuals included on the Debtors' list of largest unsecured creditors on a consolidated basis, (vi) counsel to the respective Prepetition Agents (as defined below), (vii) the Prepetition Agents, (viii) counsel to the DIP Agents, (ix) the Pension Benefit Guaranty Corporation, and (x) the Prepetition Indenture Trustee. In addition, notice of entry of the Interim Order and of the Final Hearing was served by the Debtors by facsimile, overnight mail or United States express mail, postage pre-paid, on October 26, 2009, to the additional parties that received notice of the Interim Hearing. Under the circumstances, such notice of DIP Motion, the Interim and Final Hearings, and the entry of the Interim Order and the Final Order constitutes due and sufficient notice thereof and complies with Bankruptcy Rule 4001(b), (c) and (d) and the Local Bankruptcy Rules, and no further notice of the relief sought at the Interim Hearing or the Final Hearing and the relief granted herein is necessary or required.

4** D. ***Debtors' Stipulations Regarding the Prepetition First Lien Credit Facility. Without prejudice to the rights of parties in interest to the extent set forth in Paragraph 6 below, the Debtors admit, stipulate, acknowledge and agree (Paragraphs D(i) through D(v) hereof shall be referred to herein collectively as the "Debtors' Stipulations") as follows:

(i) *Prepetition First Lien Credit Facility.* As of the Petition Date, True Temper Sports as borrower, and Holdings, as guarantor, the financial institutions parties thereto from time to time as lenders (the "**Prepetition First Lien Lenders**"), and Credit Suisse as administrative agent for the Prepetition First Lien Lenders (in such capacity, and including any successor agents, the "**Prepetition First Lien Administrative Agent**") and as collateral agent for the Prepetition First Lien Lenders (in such capacity, and including any successor agents, the "**Prepetition First Lien Collateral Agent**" and together with the Prepetition First Lien Administrative Agent, and any other documentation agent, administrative agent, collateral agent, co-agent and other agents for the Prepetition First Lien Lenders in respect of the Prepetition First Lien Credit Facility (as defined below), collectively, the "**Prepetition First Lien Agents**" and together with the Prepetition First Lien Lenders (collectively, the "**Prepetition First Lien Secured Parties**"), were parties to that certain Amended and Restated Credit Agreement, dated as of March 27, 2006 (Docket No. 41) (as amended, restated, supplemented or otherwise modified prior to the Petition Date, the "**Prepetition First Lien Credit Agreement**" and together with the other Loan Documents (as defined in the Prepetition First Lien Credit Agreement), in each case as amended, restated, supplemented or otherwise modified prior to the Petition Date, collectively, the "**Prepetition First Lien Loan Documents**" and the credit facility contemplated therein, the "**Prepetition First Lien Credit Facility**"). As of the Petition Date, the aggregate outstanding principal amount of the loans, letters of credit and other Obligations (as defined in the Prepetition First

Lien Credit Agreement) arising under the Prepetition First Lien Loan Documents was no less than approximately $104 million plus all accrued and unpaid interest, costs, expenses, fees (including reimbursable attorney and other advisor fees and expenses), other charges (in each case, to the extent reimbursable under the Prepetition First Lien Loan Documents) and other obligations owing to the Prepetition First Lien Secured Parties or affiliates thereof, including, without limitation, any amounts under any Specified Hedging Agreement (as defined in the Prepetition First Lien Credit Agreement) (all Obligations under, and as defined in the Prepetition First Lien Credit Agreement, together with any other amounts owing by the applicable Debtors under the Prepetition First Lien Loan Documents, collectively, the "**Prepetition First Lien Indebtedness**").

***5** (ii) *Prepetition First Liens and Prepetition First Collateral.* The Prepetition First Lien Indebtedness is secured by Liens granted to, or for the benefit of, Prepetition First Lien Secured Parties (the "**Prepetition First Liens**") on substantially all of the personal and real property of the Debtors, as further described and defined in the Prepetition First Lien Loan Documents, which for the avoidance of doubt includes Cash Collateral (the "**Prepetition First Lien Collateral**"). As of the Petition Date, (I) the Prepetition First Liens (w) are valid, binding, enforceable, and perfected Liens, (x) were granted to, or for the benefit of, the Prepetition First Lien Secured Parties for fair consideration and reasonably equivalent value, (y) are not subject to avoidance, recharacterization or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law (except for the lien subordination contemplated herein), and (z) are subject and subordinate only to (A) the DIP Liens (as defined below), (B) the Carve–Out (as defined below), and (C) valid, perfected and unavoidable Liens permitted under the applicable Prepetition First Lien Loan Documents, but only to the extent that such Liens are permitted by the applicable Prepetition First Lien Loan Documents to be senior to or *pari passu* with the applicable Prepetition First Liens, and (II)(x) the Prepetition First Lien Indebtedness constitutes legal, valid and binding obligations of the applicable Debtors, enforceable in accordance with the terms of the applicable Prepetition First Lien Loan Documents (other than in respect of the stay of enforcement arising from section 362 of the Bankruptcy Code), (y) no setoffs, recoupments, offsets, defenses or counterclaims to any of the Prepetition First Lien Indebtedness exists, and (z) no portion of the Prepetition First Lien Indebtedness or any payments made to any or all of the Prepetition First Lien Secured Parties is subject to avoidance, recharacterization, recovery, subordination, attack, offset, counterclaim, defense or "claim" (as defined in the Bankruptcy Code) of any kind pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

(iii) *Prepetition Intercreditor Agreement: Subordination of Prepetition Note Indebtedness to Prepetition First Lien Indebtedness* . Holdings, Borrower, the Prepetition First Lien Administrative Agent and the Prepetition Second Lien Administrative Agent (as defined below) are parties to that certain Intercreditor Agreement dated as of January 22, 2007 (Docket No. 41) (as amended, restated, supplemented or otherwise modified prior to the Petition Date, the "**Prepetition Intercreditor Agreement**"), which sets forth subordination, intercreditor and other provisions governing the relative priorities of Prepetition First Lien Credit Facility and the Prepetition Second Lien Credit Facility (as defined below) The Debtors admit, stipulate and agree that the Prepetition Intercreditor Agreement was entered into in good faith and is fair and reasonable to the parties thereto and enforceable in accordance with the terms thereof. Pursuant to the Prepetition Indenture, the Prepetition Note Indebtedness is subordinated in right of payment to the Prepetition First Lien Indebtedness.

***6** (iv) *Release of Claims.* Subject to the reservation of rights set forth in Paragraph 6 below, each Debtor and its estate shall be deemed to have waived, discharged and released the Prepetition First Lien Secured Parties, together with their respective affiliates, agents, attorneys, financial advisors, consultants, officers, directors and employees (all of the foregoing, the "**Prepetition First Lien Secured Party Releasees**") of any and all "claims" (as defined in the Bankruptcy Code), counterclaims, causes of action, defenses, setoff, recoupment or other offset rights against any and all of the Prepetition First Lien Secured Party Releasees, whether arising at law or in equity, including, without limitation, (I) any recharacterization, subordination, avoidance or other claim arising under or pursuant to section 105 or chapter 5 of the Bankruptcy Code or under any other similar provisions of applicable state or federal law, and (II) any right or basis to challenge or object to the amount, validity or enforceability of the Prepetition First Lien Indebtedness, or the validity, enforceability, priority or

non-avoidability of the Prepetition First Liens securing the Prepetition First Lien Indebtedness.

(v) *Prepetition First Lien Indebtedness Oversecured.* The aggregate value of the Prepetition First Lien Collateral exceeds the aggregate amount of the Prepetition First Lien Indebtedness, and accordingly, the Prepetition First Lien Secured Parties' respective claims in respect of the Prepetition First Lien Indebtedness are allowable in full as secured claims.

E. ***Prepetition Second Lien Credit Facility and Prepetition Note Indebtedness.***

(i) *Prepetition Second Lien Credit Facility.* As of the Petition Date, True Temper Sports as borrower, and Holdings and certain wholly-owned subsidiaries of True Temper Sports, as guaranto[s], the financial institutions parties thereto from time to time as lenders (the "**Prepetition Second Lien Lenders**"), and Law Debenture Trust Company of New York, as administrative agent for the Prepetition Second Lien Lenders (in such capacity, and including any successor agents, the "**Prepetition Second Lien Administrative Agent**") and as collateral agent for the Prepetition Second Lien Lenders (in such capacity, and including any successor agents, the "**Prepetition Second Lien Collateral Agent**" and together with the Prepetition Second Lien Administrative Agent, collectively, the "**Prepetition Second Lien Agents**" and together with the Prepetition Second Lien Lenders and any other documentation agent, administrative agent, collateral agent, co-agent and other agents for the Prepetition Second Lien Lenders in respect of the Prepetition Second Lien Credit Facility, collectively, the "**Prepetition Second Lien Secured Parties**" and together with the Prepetition First Lien Secured Parties, collectively, the "**Prepetition Secured Parties**"; the Prepetition First Lien Agents and Prepetition Second Lien Agents, collectively, the "**Prepetition Agents**"), were parties to that certain Credit Agreement, dated as of January 22, 2007 (Docket No. 41) (as amended, restated, supplemented or otherwise modified prior to the Petition Date, the "**Prepetition Second Lien Credit Agreement,**" and together with the other Loan Documents (as defined in the Prepetition Second Lien Credit Agreement), in each case as amended, restated, supplemented or otherwise modified prior to the Petition Date, the "**Prepetition Second Lien Loan Documents**" and together with the Prepetition First Lien Loan Documents, collectively, the "**Prepetition Loan Documents**"; the credit facility contemplated by the Prepetition Second Lien Credit Agreement, the "**Prepetition Second Lien Credit Facility**" and together with the Prepetition First Lien Credit Facility, the "**Prepetition Credit Facilities**"). The Prepetition Second Lien Secured Parties assert that as of the Petition Date, the aggregate outstanding principal amount of the loans, letters of credit and other Obligations (as defined in the Prepetition Second Lien Credit Agreement) arising under the Prepetition Second Lien Loan Documents was no less than approximately $45 million plus all accrued and unpaid interest, costs, expenses, fees (including reimbursable attorney and other advisor fees and expenses), other charges (in each case, to the extent reimbursable under the Prepetition Second Lien Loan Documents) and other obligations owing to the Prepetition Second Lien Secured Parties or affiliates thereof (all Obligations under, and as defined in the Prepetition Second Lien Credit Agreement, together with any other amounts owing by the applicable Debtors under the Prepetition Second Lien Loan Documents, collectively, the "**Prepetition Second Lien Indebtedness**").

***7** (ii) *Prepetition Second Liens and Prepetition Second Lien Collateral.* The Prepetition Second Lien Secured Parties assert that the Prepetition Second Lien Indebtedness is secured by Liens granted to, or for the benefit of, the Prepetition Second Lien Secured Parties (the "**Prepetition Second Liens**" and together with the Prepetition First Liens, the "**Prepetition Liens**") on certain personal and real property of certain Debtors, as further described and defined in the Prepetition Second Lien Loan Documents, which for the avoidance of doubt includes Cash Collateral (the "**Prepetition Second Lien Collateral**" and together the Prepetition First Lien Collateral, collectively, the "**Prepetition Collateral**").

(iii) *Prepetition Indenture and Prepetition Notes.* True Temper Sports, as issuer, PRC, as guarantor, and The Bank of New York as indenture trustee (the "**Prepetition Indenture Trustee**") are parties to that certain Indenture dated as of March 15, 2004 (as amended, restated, supplemented or otherwise modified prior to the Petition Date, the "**Prepetition Indenture**") pursuant to which True Temper Sports issued those certain 8 3/8% Senior Subordinated Notes due 2011 (together with all other Notes as defined in the Prepetition Indenture, collectively, the "**Prepetition Notes**" and together with the Prepetition Indenture and other agreements, documents, notes, certificates and other instruments executed and/

or delivered with, to, or in favor of any or all of the Prepetition Note Parties, collectively, the "**Prepetition Note Documents**"; the holders of the Prepetition Notes, collectively, the "**Prepetition Noteholders**" and together with the Prepetition Indenture Trustee, the "**Prepetition Note Parties**"). The Prepetition Note Parties assert that as of the Petition Date, the aggregate outstanding principal amount of Notes was approximately $125 million plus all accrued and unpaid interest, costs, expenses, fees (including reimbursable attorney and other advisor fees and expenses), other charges (in each case, to the extent reimbursable under the Prepetition Note Documents) and other obligations owing to the Prepetition Note Parties or affiliates thereof (all obligations and indebtedness under the Prepetition Note Documents, collectively, the "**Prepetition Note Indebtedness**"). The Prepetition Note Indebtedness is unsecured.

F. ***Findings Regarding the DIP Facilities.***
(i) *Need for Postpetition Financing.* The Debtors have an immediate need to obtain the DIP Facilities and use Cash Collateral, among other things, to permit the orderly continuation of the operation of their businesses, to maintain business relationships with vendors, suppliers and customers, to make payroll, to make capital expenditures, and to satisfy other working capital and operation needs. The Debtors' access to sufficient working capital and liquidity through the use of Cash Collateral and borrowing under the DIP Facilities is vital to the preservation and maintenance of the going concern values of the Debtors and to a successful reorganization of the Debtors.

***8** (ii) *No Credit Available on More Favorable Terms.* The Debtors have been and continue to be unable to obtain financing on more favorable terms from sources other than the DIP Secured Parties under the DIP Loan Documents. The Debtors are unable to obtain adequate unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. The Debtors are also unable to obtain secured credit allowable under sections 364(c)(1), 364(c)(2) and 364(c)(3) of the Bankruptcy Code without the Debtors (i) granting to the DIP Secured Parties the rights, remedies, privileges, benefits and protections provided herein and in the DIP Loan Documents, including, without limitation, the DIP Liens and the DIP Super–Priority Claims (as defined below) and (ii) allowing the Prepetition First Lien Lenders to provide Roll Up DIP Loans on the terms set forth herein and in the DIP Loan Documents (all of the foregoing described in clauses (i) and (ii) above, including the DIP Liens and the DIP Super–Priority Claims, collectively, the "**DIP Protections**").

G. ***Adequate Protection for Prepetition Secured Parties.*** The Prepetition Agents have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral (including the Cash Collateral) to fund the administration of the Debtors' estates and continued operation of their businesses. The Prepetition Agents for their respective Prepetition Secured Parties have agreed to permit the Debtors to use the Prepetition Collateral, including the Cash Collateral, for the period through the Cash Collateral Termination Date (as defined below), subject to the terms and conditions set forth herein, including the protections afforded a party acting in "good faith" under section 363(m) of the Bankruptcy Code. All of the Prepetition Secured Parties are entitled to the adequate protection as set forth herein pursuant to sections 361, 362, 363 and 364 of the Bankruptcy Code for any Diminution in Value (as defined below). Based on the DIP Motion and on the record presented to the Court at the Interim Hearing and the Final Hearing, the terms of the proposed adequate protection arrangements and use of the Cash Collateral are fair and reasonable, reflect the Debtors' prudent exercise of business judgment and constitute reasonably equivalent value and fair consideration for the Prepetition Agents' consent thereto. Each of the Prepetition First Lien Agent and the Prepetiton First Lien Lenders consented to the entry of this Final Order and relief provided herein. Pursuant to the PSA (as defined below), Prepetition Second Lien Lenders holding approximately 87% in aggregate amount of claims in respect of the Prepetition Second Lien Indebtedness consented to the entry of this Final Order and the relief provided herein, and pursuant to the terms of the Prepetition Second Lien Credit Agreement, the consents of such Prepetition Second Lien Lenders are binding on all Prepetition Second Lien Lenders. With respect to those Prepetition Secured Parties that have not consented to the entry of this Final Order, the prepetition liens and security interests of such parties are adequately protected pursuant to the terms this Final Order.

9** H. ***Section 552. In light of the subordination of their Liens and super-priority administrative claims to (i) the Carve–Out in the case of the DIP Secured Parties, and (ii) the Carve–Out and the DIP Liens in the case of

the Prepetition Secured Parties, each of the DIP Secured Parties and the Prepetition Secured Parties is entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and the "equities of the case" exception shall not apply.

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

(i) The DIP Secured Parties have indicated a willingness to provide postpetition secured financing via the DIP Facilities to the Borrower in accordance with the DIP Loan Documents, the Interim Order and this Final Order.

(ii) The terms and conditions of the DIP Facilities (including the Roll Up DIP Facility) pursuant to the DIP Loan Documents, the Interim Order and this Final Order, and the fees paid and to be paid thereunder, are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration.

(iii) The DIP Facilities and DIP Loan Documents were negotiated in good faith and at arms' length among the Debtors and the DIP Secured Parties with the assistance and counsel of their respective advisors, and all of the DIP Obligations (including the Roll Up DIP Loans) shall be deemed to have been extended by the DIP Secured Parties and their affiliates for valid business purposes and uses and in good faith, as that term is used in section 364(e) of the Bankruptcy Code, and in express reliance upon the protections offered by section 364(e) of the Bankruptcy Code, and the DIP Liens, the DIP Super–Priority Claims and the other DIP Protections shall be entitled to the full protection of section 364(e) of the Bankruptcy Code in the event the Interim Order, this Final Order or any other order or any provision hereof or thereof is vacated, reversed, amended or modified, on appeal or otherwise.

J. ***Relief Essential; Best Interest.*** For the reasons stated above, the Debtors have requested entry of this Final Order pursuant to Bankruptcy Rule 4001(b)(2) and 4001(c)(2) and the Local Bankruptcy Rules. Absent granting the relief set forth in this Final Order, the Debtors' estates and their ability to successfully reorganize will be immediately and irreparably harmed. Consummation of the DIP Facilities and authorization of the use of Cash Collateral in accordance with this Final Order and the DIP Loan Documents is therefore in the best interests of the Debtors' estates consistent with their fiduciary duties.

NOW, THEREFORE, on the DIP Motion and the record before this Court with respect to the DIP Motion, and with the consent of the Debtors, the Prepetition Secured Parties and the DIP Secured Parties to the form and entry of this Final Order, and good and sufficient cause appearing therefor,

***10 IT IS ORDERED that:**

1. ***Motion Granted.*** The DIP Motion is granted in accordance with the terms and conditions set forth in this Final Order and the DIP Loan Documents. Any objections to the DIP Motion with respect to the entry of this Final Order that have not been withdrawn, waived or settled, and all reservations of rights included therein, are hereby denied and overruled.

2. ***DIP Loan Documents and DIP Protections.***

(a) *Approval of DIP Loan Documents.* The Debtors are expressly and immediately authorized to establish the DIP Facilities (to the extent any such DIP Facilities have not been established pursuant to authorization in the Interim Order), to execute, deliver and perform under the DIP Loan Documents (to the extent any such DIP Loan Documents have not been executed, delivered or performed pursuant to authorization in the Interim Order) and to incur the DIP Obligations in accordance with, and subject to, the terms of this Final Order and the DIP Loan Documents (including, without limitation, the conversion of $80 million of the Prepetition First Lien Indebtedness to Roll Up DIP Loans), and to execute, deliver and perform under all other instruments, certificates, agreements and documents (to the extent any such instruments, certificates, agreements and documents have not been executed, delivered or performed pursuant to authorization in the Interim Order) which may be required or necessary for the performance by the applicable Debtors under the DIP Facilities and the creation and perfection of the DIP Liens described in, and provided for, by this Final Order, the Interim Order and the DIP Loan Documents. The Debtors are hereby authorized, and upon execution of the DIP Credit Agreement, directed to do and perform all acts, pay the principal, interest, fees, expenses and other amounts described in the DIP Loan Documents as such become

due pursuant to the DIP Loan Documents, the Interim Order and this Final Order, including, without limitation, all closing fees, administrative fees, commitment fees, letter of credit fees and reasonable attorneys', financial advisors' and accountants' fees and disbursements arising under the DIP Loan Documents, the Interim Order and this Final Order, which amounts shall not be subject to further approval of this Court and shall be non-refundable; provided, however, that the payment of the fees and expenses of the Lender Professionals (as defined below) shall be subject to the provisions of Paragraph 20(a). Upon their execution and delivery, the DIP Loan Documents shall represent valid and binding obligations of the applicable Debtors enforceable against such Debtors in accordance with their terms. Each officer of a Debtor acting singly is hereby authorized to execute and deliver each of the DIP Loan Documents, such execution and delivery to be conclusive of their respective authority to act in the name of and on behalf of the Debtors.

(b) *Authorization to Incur DIP Obligations.* To enable the Debtors to continue to operate their business, and subject to the terms and conditions of this Final Order and the DIP Loan Documents, including, without limitation, the budget-related covenants contained in the DIP Credit Agreement (as the same may be modified, supplemented or updated from time to time, the "**Budget Covenants**"), the Borrower is hereby authorized to (i) borrow under the Revolving DIP Facility in an aggregate outstanding principal amount not to exceed $10,000,000, and (ii) incur the Roll Up DIP Loans. All DIP Obligations of the Borrower shall be unconditionally guaranteed by each of the Guarantors on a joint and several basis, in each case as further provided in the DIP Loan Documents.

***11** (c) *Application of DIP Facilities and DIP Collateral Proceeds.* The proceeds of the DIP Facilities and DIP Collateral (in each case net of any amounts used to pay fees, costs and expenses pursuant to, and in accordance with, the DIP Loan Documents, the Interim Order and this Final Order) shall be used in accordance with the terms and conditions of the DIP Loan Documents, the Interim Order and this Final Order, including, without limitation, the Budget Covenants, solely for (i) working capital; (ii) other general corporate purposes of the Debtors (including intercompany loans and investments solely to the extent permitted by the DIP Loan Documents, the Interim Order and this Final Order); (iii) payment of any related transaction costs, fees, costs and expenses; and (iv) the costs of administration of the Cases. Without limiting the foregoing, the Debtors shall not be permitted to make any payments on account of any prepetition debt or obligation prior to the effective date of the Plan (as defined below) or any other Chapter 11 plan or plans with respect to any of the Debtors, except with respect to the prepetition obligations as set forth in the Interim Order, this Final Order or as other provided in the First Day Orders (as defined in the DIP Credit Agreement), (which First Day Orders shall be in form and substance acceptable to the DIP Agents) or as otherwise provided in the DIP Credit Agreement. A copy of the Initial Approved Budget is attached to the Interim Order as Exhibit A.

(d) *Conditions Precedent.* The DIP Secured Parties shall have no obligation to make any DIP Loan or other extension of credit or financial accommodation in respect of the DIP Facilities or otherwise unless and until all conditions precedent to the making of any such DIP Loan or other extension of credit or financial accommodation under the DIP Loan Documents, the Interim Order and this Final Order have been satisfied in full or waived by the requisite DIP Secured Parties in accordance with the DIP Loan Documents, the Interim Order and this Final Order.

(e) *DIP Liens.* Effective as of the Petition Date, and subject to the relative priorities among the DIP Facilities, the Adequate Protection Super–Priority Claims and Adequate Protection Replacement Liens, and the Prepetition Credit Facilities, in each case as set forth more fully in this Final Order (including in Paragraphs 2(e) and (f)), the DIP Administrative Agents (as provided in the DIP Loan Documents and for itself and the ratable benefit of the other DIP Secured Parties) are hereby granted the following Liens (which, subject to the provisions of Paragraph 6 hereof with respect to the DIP Obligations in respect of the Roll Up DIP Facility, shall immediately, and without any further action by any Person, be valid, binding, permanent, perfected, continuing, enforceable and non-avoidable) on all property of the Debtors, now existing or hereinafter acquired, including, without limitation, all cash and cash equivalents (whether maintained with any of the DIP Agents or otherwise), and any investment in such cash or cash equivalents, money, inventory, goods, accounts receivable, other rights to payment, intercompany loans and other investments, investment

property, contracts, contract rights, properties, plants, equipment, machinery, general intangibles, payment intangibles, accounts, deposit accounts, documents, instruments, chattel paper, documents of title, letters of credit, letter of credit rights, supporting obligations, leases and other interests in leaseholds, real property, fixtures, patents, copyrights, trademarks, trade names, other intellectual property, intellectual property licenses, capital stock of subsidiaries (subject to the restriction set forth below), tax refunds, insurance proceeds, commercial tort claims, membership interests and other equity ownership interests, in joint ventures (collectively, the "**Joint Venture Entities**") (subject to the restrictions set forth below), all other Collateral (as defined in the DIP Credit Agreement) and all other "property of the estate" (within the meaning of the Bankruptcy Code) of any kind or nature, real or personal, tangible, intangible or mixed, now existing or hereafter acquired or created, and all rents, products, substitutions, accessions, profits, replacements and cash and noncash proceeds of all of the foregoing; *provided, however,* that notwithstanding any provision herein or in any DIP Loan Document to the contrary, no Debtor organized under U.S. law shall be required to pledge in excess of 65% of the voting capital stock of its direct foreign subsidiaries or any of the capital stock of its indirect foreign subsidiaries (all of the foregoing collateral collectively referred to as the "**DIP Collateral,**" and all such Liens granted to the DIP Administrative Agents as provided in the DIP Loan Documents and for the ratable benefit of the DIP Secured Parties pursuant to this Final Order, the Interim Order and the DIP Loan Documents, the "**DIP Liens**"):

***12** (I) pursuant to section 364(c)(2) of the Bankruptcy Code, a perfected, binding, continuing, enforceable, non-avoidable, first priority Lien on all unencumbered DIP Collateral, including, without limitation, the Debtors* claims and causes of action under sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar action under the Bankruptcy Code or similar state law and the proceeds thereof ("**Avoidance Actions**"), whether received by judgment, settlement or otherwise;

(II) pursuant to section 364(c)(3) of the Bankruptcy Code, a perfected junior Lien upon all DIP Collateral that is subject to (x) valid, enforceable, non-avoidable and perfected Liens in existence on the Petition Date that, after giving effect to any intercreditor or subordination agreement, are senior in priority to the Prepetition Liens, (y) Liens in favor of AFCO Premium Credit LLC ("**AFCO**") with respect to any and all unearned premiums and dividends (but not loss payments) which may become payable under the financed insurance policies listed on insurance premium financing agreement between the Debtors and AFCO, and (z) valid, enforceable and non-avoidable Liens in existence on the Petition Date that are perfected subsequent to the Petition Date as permitted by section 546(b) of the Bankruptcy Code and after giving effect to any intercreditor or subordination agreement, are senior in priority to the Prepetition Liens, other than, in the case of clause (II)(x) or (II)(z), Liens which are expressly stated to be primed by the Liens to be granted to the DIP Administrative Agents described in clause (III) below (subject to such exception, the "**Prepetition Senior Liens**"); and

(III) pursuant to section 364(d)(1) of the Bankruptcy Code, a perfected first priority, senior priming Lien on all DIP Collateral (including, without limitation, Cash Collateral) that is senior to (x) the existing respective Liens in favor of the applicable Prepetition Secured Parties and securing the Prepetition First Lien Indebtedness or the Prepetition Second Lien Indebtedness, as applicable or (y) any existing Liens in favor of any other person or entity (other than the Prepetition Senior Liens), including, without limitation, all Liens junior to the Prepetition First Liens or the Prepetition Second Liens (the Liens referenced in clauses (x) and (y), collectively, the "**Primed Liens**"), which Primed Liens, together with any Liens granted on or after the Petition Date to provide adequate protection in respect of any Primed Liens, shall be primed by and made subject and subordinate to the perfected first priority senior priming DIP Liens.

(f) *DIP Lien Priority.* Notwithstanding anything to the contrary contained in this Final Order, the Interim Order or the other DIP Loan Documents, and for the avoidance of doubt, the DIP Liens granted to the DIP Administrative Agents for the DIP Secured Parties shall in each and every case be first priority senior Liens that (i) are subject only to the Prepetition Senior Liens and to the extent provided in the provisions of this Final Order, the Interim Order and the DIP Loan Documents, shall also be subject to the Carve–Out, and (ii) except as provided in clause (i), are senior to all other prepetition and postpetition Liens of any other person or entity (including, without limitation, the Primed Liens and the

Adequate Protection Replacement Liens). The DIP Liens and the DIP Super–Priority Claims (i) shall not be subject to sections 506(c), 510, 549, 550 or 551 of the Bankruptcy Code or the "equities of the case" exception of section 552 of the Bankruptcy Code, (ii) shall not be subordinate to, or pari passu with, (x) any Lien that is avoided and preserved for the benefit of the Debtors and their estates under section 551 of the Bankruptcy Code, or (y) any intercompany or affiliate Liens of the Debtors, and (iii) subject to the provisions of Paragraph 6 hereof, shall be valid and enforceable against any trustee or any other estate representative appointed in the Cases, upon the conversion of any of the Cases to a case under chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (each, a "Successor Case"), and/or upon the dismissal of any of the Cases.

***13** (g) *Relative Lien Priority of DIP Facilities.* Notwithstanding anything to the contrary herein, all Letters of Credit (as defined in Prepetition First Lien Credit Agreement) shall be deemed to constitute Letters of Credit, as defined in, and as issued in connection with the DIP Credit Agreement, and accordingly, from and after the Petition Date all L/C Exposure in respect of such Letters of Credit shall constitute part of the DIP Obligations in respect of the Revolving DIP Credit Facility and be ratably allocable to the Revolving DIP Lenders in accordance with the terms of the DIP Loan Documents, and upon closing of the DIP Facilities, none of the Prepetition First Lien Lenders and Roll Up DIP Lenders shall have any further liability with respect to such L/C Exposure; *provided, however,* that nothing herein shall alter any such parties' obligations as the issuer of any Letters of Credit. Notwithstanding anything to the contrary herein, the relative rights and priorities of the Revolving DIP Secured Parties and the Roll Up DIP Secured Parties in respect of the DIP Collateral shall be as provided in the DIP Credit Agreement.

(h) *Enforceable Obligations.* The DIP Loan Documents shall constitute and evidence the valid and binding DIP Obligations of the applicable Debtors, which DIP Obligations shall be enforceable against such Debtors, their estates and any successors thereto (including, without limitation, any trustee or other estate representative in any Successor Case), and their creditors, in accordance with their terms. Subject to the provisions of Paragraph 6 hereof with respect to the DIP Obligations in respect of the Roll Up DIP Facility, no obligation, payment, transfer or grant of security under the DIP Credit Agreement, the other DIP Loan Documents, the Interim Order or this Final Order shall be stayed, restrained, voidable, avoidable or recoverable under the Bankruptcy Code or under any applicable law (including, without limitation, under sections 502(d), 544, 547, 548 or 549 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law), or subject to any avoidance, reduction, setoff, recoupment, offset, recharacterization, subordination (whether equitable, contractual or otherwise) counterclaim, cross-claim, defense or any other challenge under the Bankruptcy Code or any applicable law or regulation by any person or entity.

(i) *Super–Priority Administrative Claim Status.* In addition to the DIP Liens granted herein, effective as of the Petition Date, subject to Paragraph 15 hereof, all of the DIP Obligations shall constitute allowed super-priority administrative claims pursuant to section 364(c)(1) of the Bankruptcy Code, which shall have priority, subject only to the payment of the Carve–Out to the extent specifically provided in the DIP Loan Documents, the Interim Order and this Final Order, over all administrative expense claims, adequate protection and other diminution claims (including the Adequate Protection Super–Priority Claims), unsecured claims and all other claims against the applicable Debtors, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses or other claims of the kinds specified in, or ordered pursuant to, sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 and 1114 or any other provision of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other nonconsensual Lien, levy or attachment (the "**DIP Super–Priority Claims**"). Subject to Paragraph 15 hereof, the DIP Super–Priority Claims shall for purposes of section 1129(a)(9)(A) of the Bankruptcy Code be considered administrative expenses allowed under section 503(b) of the Bankruptcy Code, shall be against each other Debtor on a joint and several basis, and shall be payable from and have recourse to all prepetition and postpetition property of the Debtors and all proceeds thereof, including, without limitation, 100% of the capital stock of any first tier foreign subsidiary of any Debtor and all Avoidance Actions. Other than as provided in

the DIP Credit Agreement, the Interim Order and this Final Order with respect to the Carve–Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under sections 328, 330, and 331 of the Bankruptcy Code, or otherwise, that have been or may be incurred in these proceedings, or in any Successor Cases, and no priority claims are, or will be, senior to, prior to or on a parity with the DIP Liens and the DIP Super–Priority Claims or the DIP Obligations, or with any other claims of the DIP Secured Parties arising hereunder. The DIP Super–Priority Claims granted hereunder to the Roll Up DIP Secured Parties shall be immediately junior in priority and subject to the DIP Super–Priority Claims of the Revolving DIP Secured Parties.

***14** (j) *Events of Default for Breach of Plan Support Agreement and Plan Confirmation Timetable.* Any breach by the Debtors of (i) their covenants and other undertakings in that certain Equity Commitment and Plan Support Agreement dated as of September 29, 2009 (the "**PSA**") by and among the Debtors, certain investors and certain Prepetition Secured Parties or (ii) the timetable and other covenants set forth in Section 5.13 of the DIP Credit Agreement for the filing, confirmation and consummation of the Plan (as defined in the PSA) shall constitute an immediate Event of Default under the DIP Credit Agreement.

3. ***Authorization to Use Cash Collateral and Proceeds of DIP Facilities.***

Subject to the terms and conditions of this Final Order, the Interim Order and the DIP Loan Documents, including without limitation, the Budget Covenants, (a) each applicable Debtor is authorized to use proceeds of DIP Loans from and after the Closing Date (as defined in the DIP Credit Agreement), and (b) each applicable Debtor is authorized to use all Cash Collateral, and each Debtor shall be enjoined and prohibited from any time using proceeds of DIP Loans or Cash Collateral except in accordance with the terms and conditions of this Final Order, the Interim Order and the DIP Loan Documents. The Prepetition Secured Parties are directed to promptly turn over to the Revolving DIP Administrative Agent until Payment in Full of the Revolving DIP Obligations and then to the Roll Up DIP Agent all Cash Collateral received or held by them that had not been applied to the Prepetition First Lien Indebtedness or Prepetition Second Lien Indebtedness, as applicable, prior to the Petition Date; *provided, however,* that the Prepetition Secured Parties are granted adequate protection for any aggregate postpetition Diminution in Value of their respective prepetition interests in the applicable Prepetition Collateral as hereinafter set forth. The applicable Debtors' right to use proceeds of DIP Loans, DIP Collateral, Prepetition Collateral and Cash Collateral shall terminate (i) automatically upon the occurrence of the Maturity Date, or (ii) immediately upon notice to such effect by the applicable DIP Administrative Agent to the Debtors after the occurrence and during the continuance of an Event of Default (the applicable termination date specified in clause (i) or (ii) above, the "**Cash Collateral Termination Date**").

4. ***Adequate Protection for Prepetition Secured Parties.***

As adequate protection for the respective interests of the Prepetition Secured Parties in the respective Prepetition Collateral (including Cash Collateral) for, and in an aggregate amount equal to, the diminution in value (collectively, "**Diminution in Value**") of such interests from and after the Petition Date, calculated in accordance with section 506(a) of the Bankruptcy Code, whether or not resulting from the use, sale or lease by the Debtors of the applicable Prepetition Collateral (including Cash Collateral), the granting of the DIP Liens, the subordination of the Prepetition Liens thereto and to the Carve–Out, the imposition or enforcement of the automatic stay of section 362(a) or otherwise, the Prepetition Secured Parties shall receive the following adequate protection (collectively referred to as the "**Prepetition Secured Parties' Adequate Protections**"):

***15** (a) *Adequate Protection Replacement Liens.* Solely to the extent of any aggregate postpetition Diminution in Value of the prepetition interests of the Prepetition First Lien Secured Parties or the Prepetition Second Lien Secured Parties, as applicable, in the applicable Prepetition Collateral, the Prepetition First Lien Secured Parties and the Prepetition Second Lien Secured Parties are hereby granted, subject to the terms and conditions set forth below, pursuant to sections 361, 363(e) and 364(d) of the Bankruptcy Code, senior replacement Liens upon all of the DIP Collateral, including any Avoidance Actions (the adequate protection replacement liens granted to the Prepetition First Lien Secured Parties, the "**First Priority Adequate Protection Replacement Liens**" and the adequate protection replacement liens granted to the Prepetition Second Lien Secured Parties, the "**Second Priority**

Adequate Protection Replacement Liens," and together with the First Priority Adequate Protection Replacement Liens, collectively, the "**Adequate Protection Replacement Liens**"), which Adequate Protection Replacement Liens on such DIP Collateral shall be subject and subordinate to the DIP Liens, the Permitted Senior Liens, and the payment of the Carve–Out to the extent expressly provided in the DIP Loan Documents, the Interim Order and this Final Order, and shall have the relative priorities set forth in Paragraph 4(g).

(b) *Adequate Protection Super–Priority Claims.* Solely to the extent that their respective Adequate Protection Replacement Liens have failed to provide adequate protection, and in such event solely to the extent of any applicable Diminution in Value not adequately protected by such Adequate Protection Replacement Liens, the Prepetition First Lien Secured Parties and Prepetition Second Lien Secured Parties are hereby granted, subject to the payment of the DIP Super–Priority Claims and the Carve Out to the extent provided herein and in the DIP Loan Documents, allowed super-priority administrative claims (the adequate protection super-priority claims granted to the Prepetition First Lien Secured Parties, the "**First Priority Adequate Protection Super–Priority Claims**" and the adequate protection super-priority claims granted to the Prepetition Second Lien Secured Parties, the "**Second Priority Adequate Protection Super–Priority Claims,**" and together with the First Priority Adequate Protection Super–Priority Claims, collectively, the "**Adequate Protection Super–Priority Claims**") as provided for in section 507(b) of the Bankruptcy Code, immediately junior to the DIP Super–Priority Claims and payable from and having recourse to all to all prepetition and postpetition property of the Debtors and all proceeds thereof, including, without limitation, 100% of the capital stock of any first tier foreign subsidiary of any Debtor and all Avoidance Actions; *provided, however,* that (i) the respective Adequate Protection Super–Priority Claims of the Prepetition Secured Parties shall have the relative priorities set forth in Paragraph 4(g) hereof, and (ii) the Prepetition Secured Parties shall not receive or retain any payments, property or other amounts in respect of the Adequate Protection Super–Priority Claims unless and until (x) all DIP Obligations have indefeasibly been paid in full in cash or, in the case of letters of credit or other DIP Obligations which survive termination, cash collateralized, in each case, in accordance with the DIP Loan Documents, the Interim Order and this Final Order (or, in the case of the Roll Up DIP Facility, provided the treatment set forth in the Plan, if confirmed and effective, or as otherwise allowed under section 1129(a) of the Bankruptcy Code, this Final Order, the Interim Order and the DIP Loan Documents) and (y) all Revolving Credit Commitments under the DIP Loan Documents have been irrevocably terminated (the conditions described in clauses (ii)(x) and (ii)(y), collectively, "**Paid in Full**" or "**Payment in Full**") and (iii) the Adequate Protection Super–Priority Claims granted to the Prepetition First Lien Secured Parties or the Prepetition Second Lien Secured Parties may be impaired pursuant to the Plan or any other Chapter 11 plan of reorganization in the Cases with the vote of the applicable class of the holders of such claims that satisfies the requirements of Section 1126 of the Bankruptcy Code. Subject to the relative priorities set forth above, the Adequate Protection Super–Priority Claims against each Debtor shall be against each Debtor on a joint and several basis.

***16** (c) *Adequate Protection Payments.* In addition to the foregoing, the Prepetition First Lien Secured Parties shall receive from the Debtors, promptly after receipt of invoices therefor, additional adequate protection in the forms of (i) immediate cash payment of all accrued and unpaid prepetition interest (at the applicable default rate of interest) and all accrued unpaid reimbursable fees, costs and expenses, in each case as provided for, and to the extent permitted, in the Prepetition First Lien Loan Documents; and (ii) cash payment as and when due of all interest (at the applicable default rate of interest) and, subject to the provisions of Paragraph 20(a) hereof, all reimbursable fees, costs and expenses (including, without limitation, the fees and expenses of counsel and the fees, expenses and transaction fee for financial advisors), in each case as provided for, and to the extent permitted, in the Prepetition First Lien Loan Documents and retention agreements permitted thereunder, during the period from and including the Petition Date through and including the Cash Collateral Termination Date, and without the need to file (or for the applicable professionals to file) any applications for payment of same. In addition to the foregoing, subject to the provisions of Paragraph 20(a) hereof, the Prepetition Second Lien Secured Parties shall receive cash payment as and when due of all reimbursable fees, costs and expenses of the Second Lien Agent in an aggregate amount not to exceed $25,000, in each case as provided for, and to the extent permitted, in the Prepetition Second Lien

Loan Documents and retention agreements permitted thereunder, during the period from and including the Petition Date through and including the Cash Collateral Termination Date and without the need to file (or for the applicable professionals to file) any applications for payment of same (all payments referenced in this sentence and the immediately preceding sentence, collectively, the "**Adequate Protection Payments**"). The invoices shall be sufficiently detailed to enable a determination as to the reasonableness of such fees and expenses (without limiting the right of the various professionals to redact privileged, confidential or sensitive information and subject to a full reservation of all applicable privileges and work product doctrine).

(d) *Monitoring of Prepetition Collateral.* The Prepetition First Lien Agents shall be permitted to retain expert consultants and financial advisors at the expense of the Debtors, which consultants and advisors shall be given reasonable access for purposes of monitoring the businesses of the Debtors and the value of the DIP Collateral and/or Prepetition Collateral,

(e) *Financial Reporting.* The Debtors shall concurrently provide the Prepetition Agents with copies of all written reports that are provided to the DIP Agents pursuant to the DIP Loan, the Interim Order and this Final Order.

(f) *Right to Seek Additional Adequate Protection.* Under the circumstances and given that the above-described adequate protection is consistent with the Bankruptcy Code, including section 506(b) thereof, the Court finds that the adequate protection provided herein is reasonable and sufficient to protect the interests of the Prepetition Secured Parties. However, any Prepetition Secured Party may request further or different adequate protection, and the Debtors or any other party in interest may contest any such request; provided that any such further or different adequate protection shall at all times be subordinate and junior to the claims and Liens of the DIP Secured Parties granted under this Final Order, the Interim Order and the DIP Loan Documents and that any such further or different adequate protection granted to the Prepetition Second Lien Secured Parties shall at all times be subordinate and junior to the claims and Liens of the Prepetition First Lien Secured Parties granted under this Final Order, the Interim Order and the Prepetition First Lien Loan Documents.

***17** (g) *Priorities Among Prepetition Secured Parties.* Notwithstanding anything to the contrary herein or in any other order of this Court, in determining the relative priorities and rights of the Prepetition Secured Parties (including, without limitation, the relative priorities and rights of the Prepetition Secured Parties with respect to the Prepetition Secured Parties' Adequate Protections and the Adequate Protection Liens), (i) the Second Priority Adequate Protection Replacement Liens and the Second Priority Adequate Protection Super–Priority Claims shall be immediately junior in priority and subject to the First Priority Adequate Protection Replacement Liens and the First Priority Adequate Protection Replacement Liens, respectively, and (ii) all other such relative priorities and rights shall continue to be governed by the Prepetition Loan Documents and the Prepetition Intercreditor Agreement.

(h) *Consent to Priming and Adequate Protection.* Pursuant to the PSA, the Prepetition First Lien Administrative Agent and the requisite Prepetition First Lien Lenders and the requisite Prepetition Second Lien Lenders, in each case, on behalf of all Prepetition First Lien Secured Parties or all Prepetition Second Lien Secured Parties, as the case may be, consent to the adequate protection and the priming provided for herein; *provided, however,* that the consent of the Prepetition Secured Parties to the priming of their Prepetition Liens, the use of Cash Collateral, and the sufficiency of the adequate protection provided for herein is expressly conditioned upon the entry of this Final Order and such consent shall not be deemed to extend to any other replacement financing or debtor in possession financing other than the DIP Facilities provided under the DIP Loan Documents; and *provided, further,* that such consent shall be of no force and effect in the event this Final Order is not entered and the DIP Loan Documents and DIP Facilities as set forth herein are not approved; and *provided, further,* that in the event of the occurrence of the Maturity Date, nothing herein shall alter the burden of proof set forth in the applicable provisions of the Bankruptcy Code at any hearing concerning the continued use of Prepetition Collateral (including Cash Collateral) by the Debtors.

5. ***Automatic Postpetition Lien Perfection.*** This Final Order shall be sufficient and conclusive evidence of the validity, enforceability, perfection and priority of the DIP Liens and the Adequate Protection Replacement Liens without the necessity of (a) filing or recording

any financing statement, deed of trust, mortgage, or other instrument or document which may otherwise be required under the law of any jurisdiction or (b) taking any other action to validate or perfect the DIP Liens and the Adequate Protection Replacement Liens or to entitle the DIP Liens and the Adequate Protection Replacement Liens to the priorities granted herein. Notwithstanding the foregoing, each of the DIP Agents and Prepetition Agents (in the latter case, solely with respect to the Adequate Protection Replacement Liens) may, each in their sole discretion, file financing statements, mortgages, security agreements, notices of Liens and other similar documents, and is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, security agreements, notices and other agreements or documents shall be deemed to have been filed or recorded at the time and on the Petition Date. The applicable Debtors shall execute and deliver to the DIP Agents and/or the Prepetition Agents, as applicable, all such financing statements, mortgages, notices and other documents as such parties may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens and the Adequate Protection Replacement Liens, as applicable, granted pursuant hereto. Without limiting the foregoing, each of the DIP Agents and Prepetition Agents, each in its discretion, may file (to the extent not filed pursuant to authorization of the Interim Order) a photocopy of this Final Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the subject filing or recording officer shall be authorized to file or record such copy of this Final Order. To the extent that any Prepetition Agent is the secured party under any account control agreements, listed as loss payee under any of the Debtors' insurance policies or is the secured party under any Prepetition Loan Document, each DIP Administrative Agent shall also be deemed to be the secured party under such account control agreements, loss payee under the Debtors' insurance policies and the secured party under each such Prepetition Loan Document, shall have all rights and powers attendant to that position (including, without limitation, rights of enforcement) and shall act in that capacity and distribute any proceeds recovered or received first, for the benefit of the DIP Secured parties in accordance with the DIP Loan Documents and second, subsequent to indefeasible Payment in Full of all DIP Obligations, for the benefit of the Prepetition Secured Parties. Each Prepetition Agent shall serve as agent for the DIP Administrative Agents for purposes of perfecting their respective Liens on all DIP Collateral that is of a type such that perfection of a Lien therein may be accomplished only by possession or control by a secured party.

18** 6. ***Reservation of Certain Third Party Rights and Bar of Challenges and Claims. Subject to the reservation of rights set forth in this Paragraph, the Debtors' Stipulations shall be binding upon the Debtors in all circumstances. The Debtors' Stipulations shall be binding upon each other party in interest, unless any such other party in interest other than the Debtors (or if the Cases are converted to cases under chapter 7 prior to the expiration of the Challenge Period (as defined below), the chapter 7 trustee in such Successor Cases) commences, by the earlier of (x) the date specified in the applicable Local Rules or (y) the initial deadline set by the Court for objections to the confirmation of any plan of reorganization for the Debtors (such time period established by the earlier of clauses (x) and (y) shall be referred to as the "**Challenge Period,**" and the date that is the next calendar day after the termination of the Challenge Period, in the event that no objection or challenge is raised during the Challenge Period, shall be referred to as the "**Challenge Period Termination Date**"), (i) a contested matter or adversary proceeding challenging or otherwise objecting to the admissions, stipulations, findings or releases included in the Debtors' Stipulations, or (ii) a contested matter or adversary proceeding against any or all of the Prepetition First Lien Secured Parties in connection with or related to the Prepetition First Lien Indebtedness (including, without limitation, the roll-up of $80 million such Prepetition First Lien Indebtedness into the Roll Up DIP Loans), or the actions or inactions of any of the Prepetition First Lien Secured Parties arising out of or related to the Prepetition First Lien Indebtedness or otherwise, including, without limitation, any claim against the Prepetition First Lien Secured Parties in the nature of a "lender liability" causes of action, setoff, counterclaim or defense to the Prepetition First Lien Indebtedness (including but not limited to those under sections 506, 544, 547, 548, 549, 550 and/or 552 of the Bankruptcy Code or by way of suit against any of the Prepetition First Lien Secured Parties) (the objections, challenges, actions and claims referenced in clauses (a)(i) and (ii), collectively, the "**Claims and Defenses**"); provided that

as to the Debtors, for themselves and not their estates, all such Claims and Defenses are irrevocably waived and relinquished as of the Petition Date. If no Claims and Defenses have been timely asserted in any such adversary proceeding or contested matter, then, upon the Challenge Period Termination Date, and for all purposes in these Cases and any Successor Case, (i) all payments made to the Prepetition First Lien Secured Parties pursuant to this Final Order or otherwise shall not be subject to counterclaim, set-off, subordination, recharacterization, defense or avoidance, (ii) any and all such Claims and Defenses by any party in interest shall be deemed to be forever released, waived and barred, (iii) the Prepetition First Lien Indebtedness shall be deemed to be an allowed secured claim within the meaning of section 506 of the Bankruptcy Code, and (iv) the Debtors' Stipulations, including the release provisions therein, shall be binding on all parties in interest. Notwithstanding the foregoing, to the extent any Claims and Defenses are timely asserted in any such adversary proceeding or contested matter, (i) the Debtors' Stipulations and the other provisions in clauses (i) through (iv) in the immediately preceding sentence shall nonetheless remain binding and preclusive on, if applicable, any chapter 7 trustee in any Successor Case, and on any other party in interest from and after the Challenge Period Termination Date, except to the extent that such Debtors' Stipulations or the other provisions in clauses (i) through (iv) of the immediately preceding sentence were expressly challenged in such adversary proceeding or contested matter, and (ii) any portion of the Debtors' Stipulations or other provisions in clauses (i) through (iv) in the immediately preceding sentence that is the subject of a timely field Claim and Defense shall become binding and preclusive on, if applicable, any chapter 7 trustee in any Successor Case, and on any other party in interest to the extent set forth in any order of the Court resolving such Claim and Defense. The Challenge Period in respect of the Prepetition First Lien Credit Facility may be extended by written agreement of the Prepetition First Lien Agents in their sole discretion or pursuant to Court order for cause shown. Nothing in this Final Order vests or confers on any person or entity standing or authority to pursue any cause of action belonging to any or all of the Debtors or their estates, including, without limitation, any Claim and Defense or other claim against any Prepetition First Lien Secured Parties or the DIP Secured Parties.

19** 7. ***Carve Out. Subject to the terms and conditions contained in this Paragraph 7, each of the DIP Liens, DIP Super–Priority Claims, Prepetition Liens, Adequate Protection Replacement Liens and Adequate Protection Super–Priority Claims shall be subject and subordinate to payment of the Carve–Out (as defined below) solely in the event of the delivery of a Carve–Out Trigger Notice (as defined below) after the occurrence and during the continuance of an Event of Default under, and as defined in, the DIP Loan Documents:

(a) For purposes of this Final Order, "**Carve–Out**" means (i) all unpaid fees required to be paid in these Cases to the clerk of the Bankruptcy Court and to the office of the United States Trustee under 28 U.S.C. § 1930(a), whether arising prior to or after the delivery of the Carve–Out Trigger Notice; (ii)(x) all unpaid fees and expenses incurred by professionals retained by the Debtors in these Cases (collectively, the "**Professionals**") that are incurred prior to the delivery by the applicable DIP Administrative Agent of a Carve–Out Trigger Notice (as defined below) and are allowed by the Court under sections 105(a), 330 and 331 of the Bankruptcy Code or otherwise, and that remain unpaid after application of available funds remaining in the Debtors' estates for such creditors and (y) in an aggregate amount not to exceed $500,000 (the "**Carve–Out Cap**"), all unpaid and allowed fees and expenses of Professionals that are incurred after the delivery of a Carve–Out Trigger Notice and that remain unpaid after application of available funds remaining in the Debtors' estates for such creditors (clauses (i), (ii)(x) and (ii)(y), collectively, the "**Carve–Out**"). The term "**Carve–Out Trigger Notice**" shall mean a written notice delivered by either DIP Administrative Agent to the Debtors' lead counsel, the other DIP Administrative Agent, and the U.S. Trustee appointed in these Cases, which notice may be delivered at any time following the occurrence and during the continuation of any Event of Default under the DIP Loan Documents, expressly stating that the Carve–Out (and the Carve–Out Cap) is invoked.

(b) Following the delivery of the Carve–Out Trigger Notice after the occurrence and during the continuance of any Event of Default under the DIP Loan Documents, any payments actually made pursuant to Bankruptcy Code sections 327, 328, 330, 331, 503 or 1103 or otherwise, to such Professionals shall (i) not be paid from the proceeds of any DIP Loan, DIP Collateral, Prepetition Collateral or Cash Collateral until such time as all retainers, if any,

held by such Professionals have been reduced to zero, and (ii) in the case of any payments made on account of any fees and expenses described in clause (ii)(y) of the definition of Carve–Out, reduce the Carve–Out Cap on a dollar-for-dollar basis. So long as no Carve–Out Trigger Notice has been delivered, the Debtors shall be permitted to pay compensation and reimbursement of expenses allowed and payable under 11 U.S.C. §§ 328, 330 and 331, as the same may be due and payable, and any such compensation and expenses previously paid, or accrued but unpaid, prior to the delivery of the Carve–Out Trigger Notice shall not reduce the Carve–Out or the Carve–Out Cap.

***20** (c) The DIP Revolving Administrative Agent shall be entitled to establish and maintain reserves against borrowing availability under the DIP Facilities on account of the Carve–Out in accordance with the terms of the DIP Credit Agreement.

(d) Notwithstanding any provision in this Paragraph 7 to the contrary, no portion of the Carve–Out, Cash Collateral, Prepetition Collateral, DIP Collateral or proceeds of the DIP Facilities shall be utilized for the payment of professional fees and disbursements to the extent restricted under Paragraph 14 hereof.

(e) Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any of the Debtors, any other official or unofficial committee in these Cases, or of any other person or entity, or shall affect the right of any DIP Secured Party or any Prepetition Secured Party to object to the allowance and payment of such fees and expenses.

8. ***Waiver of Section 506(c) Claims.*** As a further condition of the DIP Facilities and any obligation of the DIP Secured Parties to make credit extensions pursuant to the DIP Loan Documents (and their consent to the payment of the Carve–Out to the extent provided herein), no costs or expenses of administration of the Cases or any Successor Case shall be charged against or recovered from or against any or all of the DIP Secured Parties, the Prepetition First Lien Secured Parties, the DIP Collateral, the Prepetition First Lien Collateral and the Cash Collateral pursuant to section 506(c) of the Bankruptcy Code or otherwise, without the prior written consent of the DIP Agents or the Prepetition First Lien Agents, as the case may be, and no such consent shall be implied from any other action, inaction, or acquiescence of any or all of the DIP Secured Parties and the Prepetition First Lien Secured Parties.

9. ***After–Acquired Property.*** Except as otherwise provided in this Final Order, pursuant to section 552(a) of the Bankruptcy Code, all property acquired by the Debtors on or after the Petition Date is not, and shall not be, subject to any Lien of any person or entity resulting from any security agreement entered into by the Debtors prior to the Petition Date including, without limitation, in respect of the Prepetition Credit Facilities, except to the extent that such property constitutes proceeds of property of the Debtors that is subject to a valid, enforceable, perfected, and unavoidable Lien as of the Petition Date which is not subject to subordination under the Bankruptcy Code or other provisions or principles of applicable law.

10. ***Protection of DIP Secured Parries' Rights.***
(a) Until such time that all DIP Obligations have been Paid in Full, each Prepetition Secured Party shall (i) not exercise any right or remedy relating to the DIP Collateral, including without limitation, seeking relief from the automatic stay, seeking any sale, realization upon repossession or liquidation of any property, or taking any action to foreclose upon or recover in connection with the Liens granted in respect of the Prepetition First Lien or Second Lien Credit Facilities (including, without limitation, the Prepetition Liens and the Adequate Protection Replacement Liens), or otherwise exercise remedies against any DIP Collateral, (ii) be deemed to have consented to any and all releases of DIP Collateral authorized under the DIP Loan Documents or otherwise consented to by the requisite DIP Secured Parties (provided that the Liens of the Prepetition Secured Parties attach to the proceeds of any disposition of such released DIP Collateral with the same priorities as provided herein), and (iii) not file any further financing statements, trademark filings, copyright filings, mortgages, notices of Lien or similar instruments, or otherwise take any action to perfect their Liens on the DIP Collateral unless, solely as to this clause (iii) and solely with respect to the Adequate Protection Replacement Liens, any DIP Agent files financing statements or other documents to perfect the Liens granted pursuant to this Final Order, or as may be required by applicable state law to continue the perfection of valid and unavoidable Liens as of the Petition Date.

***21** (b) Unless the requisite DIP Secured Parties under the DIP Loan Documents shall have provided their prior written consent or all DIP Obligations have been indefeasibly Paid in Full (or will be indefeasibly Paid in Full upon entry of a final, non-appealable order approving indebtedness described in clause (ii) of this subsection (b)), there shall not be entered in these proceedings, or in any Successor Case, any order which authorizes any of the following: (i) the obtaining of credit or the incurring of indebtedness that is secured by a security, mortgage, or collateral interest or other Lien on all or any portion of the DIP Collateral and/or that is entitled to administrative priority status, in each case which is superior to or *pari passu* with (x) the DIP Liens, DIP Super–Priority Claims and other DIP Protections granted pursuant to this Final Order to the DIP Secured Parties or (y) the Prepetition First Liens, the First Priority Adequate Protection Replacement Liens, the First Priority Adequate Protection Super–Priority Claims and the other Prepetition Secured Parties* Adequate Protections granted to the Prepetition First Lien Secured Parties; or (ii) the use of Cash Collateral for any purpose other than to indefeasibly Pay in Full the DIP Obligations or as otherwise permitted in the DIP Loan Documents, the Interim Order and this Final Order.

(c) The Debtors (and/or their legal and financial advisors in the case of clauses (ii) through (iv) below) will (i) maintain books, records and accounts to the extent and as required by the DIP Loan Documents, (ii) cooperate, consult with, and provide to the DIP Agents all such information as required or allowed under the DIP Loan Documents or the provisions of the Interim Order or this Final Order, (iii) permit representatives of the DIP Agents such rights to visit and inspect any of the Debtors' respective properties, to examine and make abstracts or copies from any of their respective books and records, to conduct a collateral audit and analysis of their respective inventory and accounts, to tour the Debtors' business premises and other properties, and to discuss, and provide advice with respect to, their respective affairs, finances, properties, business operations and accounts with their respective officers, employees and independent public accountants as and to the extent required by the DIP Loan Documents, and (iv) permit representatives of the DIP Agents to consult with the Debtors' management and advisors on matters concerning the general status of the Debtors' businesses, financial condition and operations.

11. ***Cash Collection.*** Cash collections (including, but not limited to, payments from customers with respect to accounts receivable) constituting proceeds of DIP Collateral shall be directed to lock-box and/or deposit accounts ("**Cash Collection Accounts**") pursuant to blocked account agreements in form and substance acceptable to, and in favor of, any Prepetition First Lien Agent or any DIP Administrative Agent pursuant to a structure reasonably satisfactory to the DIP Agents and in compliance with the Cash Management Order (as defined below). Upon the direction of the applicable DIP Administrative Agent at any time after the occurrence of an Event of Default, all proceeds in the Cash Collection Accounts shall be remitted to the Revolving DIP Administrative Agent until Payment in Full of the Revolving DIP Obligations and then to the Roll Up DIP Agent for application to the DIP Obligations, and the DIP Administrative Agents shall take all action that is necessary or appropriate to effectuate the foregoing. Unless otherwise agreed to in writing by the DIP Administrative Agents, the Debtors shall maintain no accounts except those identified in any order of the Court approving the Debtors' cash management system (the "**Cash Management Order**"). The Debtors and the financial institutions where the Debtors' cash collection accounts are maintained (including those accounts identified in any Cash Management Order), are authorized and directed to remit funds in such Cash Collection Accounts upon receipt of any direction to that effect from the applicable DIP Administrative Agent. The Debtors are authorized to incur obligations and liabilities for treasury, depositary or cash management services, including without limitation, overnight overdraft services, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services provided on a postpetition basis by any financial institution at which any Cash Collection Account is maintained; *provided, however,* that (i) any Lien securing any such obligations shall be junior to the DIP Lien on the funds in the cash collection accounts at such financial institution, and (ii) except to the extent otherwise required by the Court, nothing herein shall require any DIP Secured Party or Prepetition Secured Party to incur any overdrafts or provide any such services or functions to the Debtors.

22** 12. ***Disposition of DIP Collateral. The Debtors shall not sell, transfer, lease, encumber or otherwise dispose

of any portion of the DIP Collateral without the prior written consent of the requisite DIP Secured Parties under the DIP Loan Documents (and no such consent shall be implied from any other action, inaction or acquiescence by any DIP Secured Party or any order of this Court), except for sales of inventory in the ordinary course of business or except as otherwise permitted in the DIP Loan Documents, the Interim Order and this Final Order and approved by the Court to the extent required under applicable bankruptcy law. Except to the extent otherwise expressly provided in the DIP Loan Documents, all proceeds from the sale, transfer, lease, encumbrance or other disposition of any DIP Collateral shall be remitted to the Revolving DIP Administrative Agent until Payment in Full of the Revolving DIP Obligations and then to the Roll Up DIP Agent for application to the DIP Obligations in accordance with the terms of the DIP Loan Documents.

13. ***Events of Default.***

(a) *Rights and Remedies Upon Event of Default.* Any automatic stay otherwise applicable to the DIP Secured Parties is hereby modified, without requiring prior notice to or authorization of, this Court, to the extent necessary to permit the DIP Secured Parties to exercise (i) immediately upon the occurrence and during the continuance of an Event of Default, all rights and remedies under this Final Order, the Interim Order and the DIP Loan Documents other than those rights and remedies against the DIP Collateral as provided in clause (ii) below, and (ii) upon the occurrence and during the continuance of an Event of Default and the giving of five business days' prior written notice (the "**Enforcement Notice**") to the Debtors (with a copy to the United States Trustee, the Prepetition Agents and the Prepetition Indenture Trustee), all rights and remedies against the DIP Collateral provided for in any DIP Loan Documents or applicable law (including, without limitation, the right to set off against accounts maintained by the Debtors with any DIP Agent, any other DIP Secured Party, any Prepetition Secured Party or any of their respective affiliates); *provided, however,* that notwithstanding anything to the contrary in clause (ii) above, immediately following the giving of an Enforcement Notice by the applicable DIP Administrative Agent; (w) the Debtors shall deliver and cause the delivery of the proceeds of DIP Collateral to the Revolving DIP Administrative Agent until Payment in Full of the Revolving DIP Obligations and then to the Roll Up DIP Agent as provided in the DIP Loan Documents; (x) the applicable DIP Administrative Agent shall apply such proceeds in accordance with the provisions of the DIP Loan Documents; (y) the Debtors shall have no right to use any of such proceeds, nor any other Cash Collateral other than towards the satisfaction of the DIP Obligations and the payment of the Carve–Out, as provided herein and in the applicable DIP Loan Documents; and (z) any obligation otherwise imposed on any or all of the DIP Agents and the other DIP Secured Parties to provide any loan, advance or other financial accommodation to the Debtors pursuant to the DIP Facilities shall immediately be suspended. Following the giving of an Enforcement Notice by the applicable DIP Administrative Agent, the Debtors shall be entitled to an emergency hearing before this Court solely for the purpose of contesting whether an Event of Default has occurred, and section 105 of the Bankruptcy Code may not be invoked by the Debtor or any other party in interest to restrict or preclude any DIP Secured Party from exercising any rights or remedies set forth in this Final Order, the Interim Order or the DIP Loan Documents. If the Debtors do not contest the right of the DIP Secured Parties to exercise their rights and remedies based upon whether an Event of Default has occurred within such five business-day time period or if the Debtors do timely contest the occurrence of an Event of Default and the Court after notice and hearing declines to find that no such Event of Default has occurred, the automatic stay, as to the DIP Secured Parties, shall automatically terminate at the end of such notice period.

***23** (b) Subject to the provisions of Paragraph 13(a), upon the occurrence of an Event of Default, the DIP Agents and the other DIP Secured Parties are authorized to exercise their rights and remedies and to proceed against any or all of the DIP Collateral under or pursuant to the DIP Loan Documents, the Interim Order, this Final Order and applicable law, including without limitation, exercising any of the Debtors' rights with respect to the Debtors' interests in the Joint Venture Entities and the Debtors' interests in leaseholds, including without limitation, selling, leasing or otherwise transferring any of the Debtors' interests in any Joint Venture Entity or leasehold notwithstanding any contractual provision that would otherwise prohibit, restrict, condition or delay any or all of the DIP Agents and the other DIP Secured Parties from taking any such action. All proceeds realized in connection with the exercise of the rights and remedies of the DIP Secured Parties shall be turned over to the Revolving DIP Administrative Agent until Payment in

Full of the Revolving DIP Obligations and then to the Roll Up DIP Agent for application to the DIP Obligations under, and in accordance with the provisions of, the DIP Loan Documents; provided, that in the event of the liquidation of the Debtors' estates after an Event of Default and the termination of the Revolving Credit Commitments, the unused amount of the Carve–Out shall be funded into a segregated account exclusively (i) first, from proceeds of any unencumbered assets of the Debtors, and (ii) then from Cash Collateral received by any DIP Agent subsequent to the date of termination of the Revolving Credit Commitments and prior to the distribution of any such Cash Collateral to any other parties in interest.

(c) The automatic stay imposed under Bankruptcy Code section 362(a) is hereby modified pursuant to the terms of the DIP Credit Agreement as necessary to (i) permit the Debtors to grant the Adequate Protection Replacement Liens and the DIP Liens and to incur all liabilities and obligations to the Prepetition Secured Parties and the DIP Secured Parties under the DIP Loan Documents, the DIP Facilities, the Interim Order and this Final Order, (ii) authorize the DIP Secured Parties and the Prepetition Secured Parties to retain and apply payments hereunder, and (iii) otherwise to the extent necessary to implement and effectuate the provisions of this Final Order.

14. ***Restriction on Use of Proceeds.*** Notwithstanding anything herein to the contrary, no proceeds from the DIP Facilities, DIP Collateral or proceeds thereof, Cash Collateral (including any prepetition retainer funded by the Prepetition Lenders), Prepetition Collateral or proceeds thereof, or any portion of the Carve–Out may be used by any of the Debtors, any trustee or other estate representative appointed in the Chapter 11 Cases or any Successor Case, or any other person, party or entity to (or to pay any professional fees and disbursements incurred in connection therewith) (a) request authorization to obtain postpetition loans or other financial accommodations pursuant to Bankruptcy Code section 364(c) or (d), or otherwise, other than from the DIP Secured Parties; (b) investigate (except as set forth below), assert, join, commence, support or prosecute any action for any claim, counter-claim, action, proceeding, application, motion, objection, defense, or other contested matter seeking any order, judgment, determination or similar relief against, or adverse to the interests of, in any capacity, any or all of the DIP Secured Parties, the Prepetition Secured Parties, and their respective officers, directors, employees, agents, attorneys, affiliates, assigns, or successors, with respect to any transaction, occurrence, omission, action or other matter (including formal discovery proceedings in anticipation thereof), including, without limitation, (i) any Claims and Defenses, any Avoidance Actions or other actions arising under chapter 5 of the Bankruptcy Code; (ii) any so-called "lender liability" claims and causes of action; (iii) any action with respect to the validity, enforceability, priority and extent of the DIP Obligations and/or the Prepetition First Lien or Second Lien Indebtedness, or the validity, extent, and priority of the DIP Liens, the Prepetition Liens, or the Adequate Protection Replacement Liens (or the value of any of the Prepetition Collateral or DIP Collateral); (iv) any action seeking to invalidate, set aside, avoid or subordinate, in whole or in part, the DIP Liens, the other DIP Protections, the Prepetition Liens, the Adequate Protection Replacement Liens or the other Prepetition Secured Parties' Adequate Protections; (v) except to contest the occurrence or continuation of any Event of Default as permitted in Paragraph 13(a), any action seeking, or having the effect of, preventing, hindering or otherwise delaying any or all of the DIP Secured Parties' and the Prepetition Secured Parties' assertion, enforcement or realization on the Cash Collateral or the DIP Collateral in accordance with the DIP Loan Documents, the Prepetition Loan Documents, the Interim Order or this Final Order; and/or (vi) any action seeking to modify any of the rights, remedies, priorities, privileges, protections and benefits granted to any or all of the DIP Secured Parties and the Prepetition Secured Parties hereunder or under the DIP Loan Documents or the Prepetition Loan Documents.

24** 15. ***Limitations in Respect of the Roll Up DIP Loans. The full amount of the Roll Up DIP Loans will not be required to be repaid in cash on the Maturity Date, but instead shall be treated (i) in the manner set forth in the Plan, or (ii) in any other manner acceptable to the holders of Roll Up DIP Loans representing at least two-thirds in amount and more than one-half in number of all Roll Up DIP Loans (such holders, the "**Requisite Roll Up DIP Lenders**"). Notwithstanding the foregoing, if the Plan has not been confirmed and become effective by the outer date specified in the DIP Credit Agreement (or such later date to which the requisite DIP Secured Parties have agreed in writing), and unless the Requisite Roll Up DIP Lenders otherwise agree in writing, all DIP Obligations in respect

of the Roll Up DIP Facility shall become due and payable in full in cash.

16. [Intentionally omitted].

17. ***Proofs of Claim.*** The DIP Secured Parties and the Prepetition First Lien Secured Parties shall not be required to file proofs of claim evidencing the DIP Obligations, the DIP Protections or the Prepetition First Lien Indebtedness, as applicable, in the Cases or in any Successor Case.

18. ***Preservation of Rights Granted under the Final Order.***

(a) *No Non–Consensual Modification or Extension of Final Order.* Unless all DIP Obligations shall have been indefeasibly been Paid in Full, the Debtors shall not seek, and it shall constitute an Event of Default (resulting, among other things, in the termination of the Debtors' right to use Cash Collateral), if there is entered (i) an order amending, supplementing, extending or otherwise modifying this Final Order or (ii) an order converting or dismissing any of the Cases, in each case, without the prior written consent of the DIP Agents, and no such consent shall be implied by any other action, inaction or acquiescence.

(b) *Dismissal.* If any order dismissing any of the Cases under section 1112 of the Bankruptcy Code or otherwise is at any time entered, such order shall provide (in accordance with sections 105 and 349 of the Bankruptcy Code), to the fullest extent permitted by law, that the DIP Protections, the Prepetition Secured Parties' Adequate Protections and shall continue in full force and effect and shall maintain their priorities as provided in this Final Order until all DIP Obligations have been indefeasibly Paid in Full and all Prepetition Secured Parties' Adequate Protections have been indefeasibly paid in full in cash or otherwise satisfied in full (and that all DIP Protections, Prepetition Secured Parties' Adequate Protections shall, notwithstanding such dismissal, remain binding on all parties in interest).

(c) *Modification of Final Order.* Based on the findings set forth in this Final Order and in accordance with section 364(e) of the Bankruptcy Code, which is applicable to the DIP Facilities contemplated by this Final Order, in the event any or all of the provisions of this Final Order are hereafter reversed, modified, vacated or stayed by a subsequent order of this Court or any other court, the DIP Secured Parties shall be entitled to the protections provided in section 364(e) of the Bankruptcy Code, and no such reversal, modification, vacatur or stay shall affect (i) the validity, priority or enforceability of any DIP Protections, Prepetition Secured Parties' Adequate Protections granted or incurred prior to the actual receipt of written notice by the DIP Agents or the Prepetition Agents, as the case may be, of the effective date of such reversal, modification, vacatur or stay or (ii) the validity or enforceability of any Lien or priority authorized or created hereby or pursuant to the DIP Loan Documents with respect to any DIP Obligations, Prepetition Secured Parties' Adequate Protections. Notwithstanding any such reversal, modification, vacatur or stay, any use of Cash Collateral or any DIP Obligations, Prepetition Secured Parties' Adequate Protections incurred or granted by the Debtors prior to the actual receipt of written notice by the DIP Agents or Prepetition Agents, as applicable, of the effective date of such reversal, modification, vacatur or stay shall be governed in all respects by the original provisions of this Final Order, and the DIP Secured Parties, the Prepetition Secured Parties shall be entitled to all of the DIP Protections, Prepetition Secured Parties' Adequate Protections, as the case may be, and all other rights, remedies, Liens, priorities, privileges, protections and benefits granted in section 364(e) of the Bankruptcy Code, this Final Order and pursuant to the DIP Loan Documents with respect to all uses of Cash Collateral and all DIP Obligations and Prepetition Secured Parties' Adequate Protections.

***25** (d) *Survival of Final Order.* The provisions of this Final Order and the DIP Loan Documents, any actions taken pursuant hereto or thereto, and all of the DIP Protections, Prepetition Secured Parties' Adequate Protections, and all other rights, remedies, Liens, priorities, privileges, protections and benefits granted to any or all of the DIP Secured Parties, Prepetition Secured Parties shall survive, and shall not be modified, impaired or discharged by, the entry of any order confirming any plan of reorganization in any Case, converting any Case to a case under chapter 7, dismissing any of the Cases, withdrawing of the reference of any of the Cases or any Successor Case or providing for abstention from handling or retaining of jurisdiction of any of the Cases in this Court, or terminating the joint administration of these Cases or by any other act or omission. The terms and provisions of this Final

Order, including all of the DIP Protections, Prepetition Secured Parties' Adequate Protections and all other rights, remedies, Liens, priorities, privileges, protections and benefits granted to any or all of the DIP Secured Parties, Prepetition Secured Parties, shall continue in full force and effect notwithstanding the entry of any such order, and such DIP Protections, Prepetition Secured Parties' Adequate Protections shall continue in these proceedings and in any Successor Case, and shall maintain their respective priorities as provided by this Final Order. Subject to the provisions of this Final Order, the Interim Order and the DIP Loan Documents that permit the treatment of the DIP Obligations under the Roll Up DIP Facility pursuant to the Plan or any other Chapter 11 plan with respect to any of the Debtors, the DIP Obligations shall not be discharged by the entry of an order confirming the Plan or any other such Chapter 11 plan, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

19. ***Affiliate Payments; Inter–Debtor Borrowings.*** Except as otherwise set forth in the Approved Budget or as otherwise agreed in writing by the DIP Agents and the requisite DIP Secured Parties in their sole discretion, and subject to the remainder of this Paragraph, no Debtor shall make any loans, advances, distributions, transfers or other payments of any kind whatsoever to any other Debtor or any Affiliate. All intercompany claims arising from any permitted postpetition loans, advances, distributions, transfers or other payments from any Debtor to another Debtor shall constitute administrative expense claims against the estate of the applicable borrowing Debtor, and shall be junior and subordinate to the DIP Obligations and the Prepetition First Lien Indebtedness and shall be subject to the DIP Liens, the DIP Super–Priority Administrative Claims, the Prepetition First Liens and the Adequate Protection Super–Priority Administrative Claims.

20. *Other Rights and Obligations.*

(a) *Expenses.* As provided in the DIP Loan Documents, the applicable Debtors will pay all reasonable expenses incurred by the DIP Agents (including, without limitation, the reasonable fees and disbursements of all counsel for GECC and Credit Suisse and any internal or third-party appraisers, consultants and auditors advising any DIP Agent) in connection with the preparation, execution, delivery and administration of the DIP Loan Documents, the Interim Order, this Final Order and any other agreements, instruments, pleadings or other documents prepared or reviewed in connection with any of the foregoing, whether or not any or all of the transactions contemplated hereby or by the DIP Loan Documents are consummated. Payment of such fees shall not be subject to allowance by this Court. Copies of invoices submitted to the Debtors by professionals for the DIP Agents and the Prepetition First Lien Agents (collectively, the "**Lender Professionals**") shall be forwarded by the Debtors to the U.S. Trustee and such other parties as the Court may direct. The invoices shall be sufficiently detailed to enable a determination as to the reasonableness of such fees and expenses (without limiting the right of the various professionals to redact privileged, confidential or sensitive information). If the Debtors or the U.S. Trustee object to the reasonableness of the fees and expenses of any of the Lender Professionals and cannot resolve such objection within ten (10) days of receipt of such invoices, the Debtors or U.S. Trustee, as the case may be, shall file and serve on such Lender Professionals an objection with the Court (the "**Fee Objection**") limited to the issue of reasonableness of such fees and expenses. The Debtors shall timely pay in accordance with the terms and conditions of this Interim Order the undisputed fees, costs and expenses reflected on any invoice to which a Fee Objection has been timely filed.

***26** (b) *Binding Effect.* The provisions of this Final Order, including all findings herein, and the DIP Loan Documents shall be binding upon all parties in interest in these Cases, including, without limitation, the DP Secured Parties, the Prepetition Secured Parties, the Prepetition Note Parties, the Debtors and their respective successors and assigns (including any chapter 7 or chapter 11 trustee hereinafter appointed or elected for the estate of any of the Debtors, an examiner appointed pursuant to section 1104 of the Bankruptcy Code or any other fiduciary or responsible person appointed as a legal representative of any of the Debtors or with respect to the property of the estate of any of the Debtors), whether in any of the Cases, in any Successor Cases, or upon dismissal of any such Case or Successor Case; *provided, however,* that the DIP Secured Parties and the Prepetition Secured Parties shall have no obligation to permit the use of Cash Collateral or to extend any financing to any chapter 7 or chapter 11 trustee or other responsible person appointed for the estates of the Debtors in any Case or Successor Case.

(c) *No Waiver.* Neither the failure of the Prepetition Secured Parties to seek relief or otherwise exercise their rights and remedies under this Final Order, the Interim Order, the Prepetition Loan Documents or otherwise (or any delay in seeking or exercising same), nor the failure of the DIP Secured Parties to seek relief or otherwise exercise their respective rights and remedies under this Final Order, the Interim Order, the DIP Loan Documents or otherwise (or any delay in seeking or exercising same), shall constitute a waiver of any of such parties* rights hereunder, thereunder, or otherwise. Except as expressly provided herein, nothing contained in this Final Order (including, without limitation, the authorization of the use of any Cash collateral) shall impair or modify any rights, claims or defenses available in law or equity to any Prepetition Secured Party or any DIP Secured Party, including, without limitation, rights of a party to a swap agreement, securities contract, commodity contract, forward contract or repurchase agreement with a Debtor to assert rights of setoff or other rights with respect thereto as permitted by law (or the right of a Debtor to contest such assertion). Except as prohibited by this Final Order and the PSA, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the Prepetition Secured Parties or the DIP Secured Parties under the Bankruptcy Code or under non-bankruptcy law, to (i) request conversion of the Cases to cases under Chapter 7, dismissal of the Cases, or the appointment of a trustee in the Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code and the PSA, any Chapter 11 plan or plans with respect to any of the Debtors, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) of the DIP Secured Parties or the Prepetition Secured Parties, respectively. Except to the extent otherwise expressly provided in this Final Order, neither the commencement of the Cases nor the entry of this Final Order shall limit or otherwise modify the rights and remedies of the Prepetition Secured Parties with respect to non-Debtor entities or their respective assets, whether such rights and remedies arise under the Prepetition Credit Facilities, applicable law or equity.

***27** (d) *No Third Party Rights.* Except as explicitly provided for herein, this Final Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary. In determining to make any loan (whether under the DIP Credit Agreement or otherwise) or to permit the use of Cash Collateral or in exercising any rights or remedies as and when permitted pursuant to this Final Order, the Interim Order or the DIP Loan Documents, the DIP Secured Parties and the Prepetition Secured Parties shall not (i) be deemed to be in control of the operations of the Debtors, or (ii) owe any fiduciary duty to the Debtors, their respective creditors, shareholders or estates.

(e) *No Marshaling.* Neither the DIP Secured Parties nor the Prepetition Secured Parties shall be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the DIP Collateral or the Prepetition Collateral, as applicable.

(f) *Amendments.* The Debtors are authorized and empowered, without further notice and hearing or approval of this Court, to amend, modify, supplement or waive any provision of the DIP Loan Documents in accordance with the provisions thereof, in each case unless such amendment, modification, supplement or waiver (i) increases the interest rate (other than as a result of the imposition of the default rate), (ii) increases the aggregate lending commitments of all of the DIP Lenders in respect of the DIP Facilities, (iii) changes the Maturity Date, or (iv) add or amend (in any respect unfavorable to the Debtors) any Event of Default or any financial covenant. No waiver, modification, or amendment of any of the provisions hereof shall be effective unless set forth in writing, signed by on behalf of all the Debtors and the DIP Agents (after having obtained the approval of the requisite DIP Secured Parties as provided in the DIP Loan Documents) and, except as provided herein, approved by this Court.

(g) *Inconsistency.* In the event of any inconsistency between the terms and conditions of the DIP Loan Documents, the Interim Order and this Final Order, the provisions of this Final Order shall govern and control.

(h) *Enforceability.* This Final Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable nunc pro tunc to the Petition Date immediately upon execution hereof Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062 or 9024 or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be immediately effective and enforceable upon its entry, and

there shall be no stay of execution or effectiveness of this Final Order.

(i) *Headings.* Paragraph headings used herein are for convenience only and are not to affect the construction of or to be taken into consideration in interpreting this Final Order.

***28** (j) *Retention of Jurisdiction.* The Bankruptcy Court has and will retain jurisdiction to enforce this Final Order according to its terms.

All Citations

Not Reported in B.R., 2009 WL 7226692

Footnotes

1 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number are: True Temper Sports, Inc. (2620), True Temper Corporation (4519), and True Temper Sports–PRC Holdings, Inc. (6895). The Debtors' corporate headquarters are located at, and the mailing address for each Debtor is, 8275 Tournament Drive, Suite 200, Memphis, Tennessee 38125.

2 Unless otherwise specified, all capitalized terms used herein without definition shall have the respective meanings given such terms in the DIP Credit Agreement.

3 Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact, pursuant to Bankruptcy Rule 7052.

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Appendix II

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2009 WL 7698528
Only the Westlaw citation is currently available.
United States Bankruptcy Court, D. Delaware.

In re GOODY'S, LLC, et al., Debtors.

No. 09–10124 CSS.
|
March 3, 2009.

Attorneys and Law Firms

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FINAL ORDER (I) AUTHORIZING USE OF CASH COLLATERAL, (II) GRANTING ADEQUATE PROTECTION AND (III) MODIFYING THE AUTOMATIC STAY

CHRISTOPHER S. SONTCHI, Bankruptcy Judge.

***1** THIS MATTER having come before the Court upon the motion of Goody's, LLC, and its direct and indirect subsidiaries, each as a debtor and debtor in possession (collectively the "*Borrowers* " or the "*Debtors* ")[1] to (I) Authorize the Temporary Use of Cash Collateral, (II) Grant Adequate Protection and (III) Modify the Automatic Stay (the "*Motion* "), seeking entry of, among other things, this final order (the "*Final Order* ").

The Court having considered the Motion, the Declaration of David G. Peek in Support of Chapter 11 Petitions and First Day Relief dated January 13, 2009, as amended on January 15, 2009, the exhibits attached thereto, the evidence submitted or adduced and the arguments of counsel made at the first interim hearing held on January 15, 2009 (the "*First Interim Hearing* "), the second interim hearing held on January 20, 2009 (the "*Second Interim Hearing* "), the third interim hearing held on February 5, 2009 (together with the First Interim Hearing and Second Interim Hearing, the "*Interim Hearings* "), and the final hearing held on March 3, 2009 (the "*Final Hearing* "): and the Court having entered orders granting the relief requested in the Motion on an interim basis on January 15, 2009 (the "*First Interim Order* "), January 20, 2009 (the "*Second Interim Order* "), and February 5, 2009 (the "*Third Interim Order* ") (collectively, the "*Interim Orders* "); and notice of the Final Hearing having been given in accordance with Bankruptcy Rules 2002, 4001(b), (c) and (d), and 9014 and the Interim Orders; and the Final Hearing to consider the relief requested in the Motion on a final basis having been held and concluded; and all objections, if any, to entry of this Final Order having been withdrawn, resolved or overruled by the Court; and it appearing to the Court that granting the relief requested in the Motion on a final basis is fair and reasonable and in the best interests of the Debtors, their estates, and their creditors and equity holders, and is essential for the operation of the Debtors' businesses; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL HEARINGS, THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

A. There is a continuing need for the use of cash collateral of the Prepetition Secured Lenders (as defined herein);

B. Goody's, LLC has entered into that certain Agency Agreement dated January 6, 2009 with a joint venture of Hilco Merchant Resources, LLC and Gordon Brothers Retail Partners, LLC (the "*Agency Agreement* "). On January 20, 2009, the Court entered an order granting the Debtors' Motion to Assume Agency Agreement and for Related Relief (the "*Sale Motion* "), and authorizing the Debtors to assume the Agency Agreement;

C. The Borrowers have represented that they have, or had, valid, prior outstanding secured obligations as follows:

***2** (i) *Prepetition Revolver Obligations.* Pursuant to that certain Credit Agreement dated as of October 20, 2008 (as amended, supplemented, restated, or otherwise modified prior to the Petition Date, the "*Prepetition Revolver Credit Agreement* " and together with all other loan, guaranty, security and other documents executed in connection therewith, the "*Prepetition*

Revolver Credit Documents ") among the Borrowers, Goody's Parent LLC (the "*Guarantor* "). General Electric Capital Corporation, as Agent, Existing L/C Issuer, New L/C Issuer and Lender (the "*Prepetition Revolver Agent* "). GE Capital Markets, Inc., as Lead Arranger and Bookrunner, and the lenders that are parties thereto from time to time (collectively, together with the Prepetition Revolver Agent, the "*Prepetition Revolver Lenders* "), the Debtors were indebted to the Prepetition Revolver Lenders for monies borrowed and approximately $15 million in face amount of letters of credit, together with interest, fees, expenses, and all other "Obligations" as defined in the Prepetition Revolver Credit Documents (the "*Prepetition Revolver Obligations* "). On or about January 22, 2009 (the "*Repayment Date* "), the Prepetition Revolver Obligations were paid in full in cash and all letters of credit under the Prepetition Revolver Credit Agreement were cash collateralized by the Debtors;

(ii) *Prepetition Term Loan Obligations.* Pursuant to that certain Amended and Restated Term Loan Agreement dated as of October 20, 2008 (as amended, supplemented, restated, or otherwise modified prior to the Petition Date, the "*Prepetition Term Loan Agreement* " and together with all other loan, guaranty, security and other documents executed in connection therewith, the "*Prepetition Term Loan Credit Documents* ", and together with the Prepetition Revolver Credit Documents, the "*Prepetition Senior Credit Documents* "), among the Borrowers, Guarantor, GB Merchant Partners, LLC, as Agent (the "*Prepetition Term Loan Agent* ", and together with the Prepetition Revolver Agent, the "*Prepetition Senior Agents* ") and the lenders that are parties thereto from time to time (collectively, together with the Prepetition Term Loan Agent, the "*Prepetition Term Loan Lenders* ". and collectively with the Prepetition Revolver Lenders, the "*Prepetition Senior Secured Lenders* "), the Debtors were indebted to the Prepetition Term Loan Lenders in a principal amount of at least $10 million, together with interest, fees, expenses, and all other "Obligations" as defined in the Prepetition Term Loan Documents (the "*Prepetition Term Loan Obligations* " and together with the Prepetition Revolver Obligations, the "*Prepetition Senior Secured Obligations* "). On or about the Repayment Date, the principal, interest, fees, and expenses under the Prepetition Term Loan Agreement were paid in full in cash;

(iii) *Prepetition Tranche C Obligations* Pursuant to that certain Tranche C Credit Agreement dated as of October 20, 2008 (as amended, supplemented, restated, or otherwise modified prior to the Petition Date, the "*Prepetition Tranche C Loan Agreement* " and together with all other loan, guaranty, security and other documents executed in connection therewith, the "*Prepetition Tranche C Credit Documents* "), among the Borrowers, Guarantor, PGDYS Lending LLC, as Agent (the "*Prepetition Tranche C Agent* ") and the lenders that are parties thereto from time to time (collectively, together with the Prepetition Tranche C Agent, the "*Prepetition Tranche C Lenders* "), the Debtors are indebted to the Prepetition Tranche C Lenders in a principal amount of at least $20 million, together with interest, fees, expenses, and all other "Obligations" as defined in the Prepetition Tranche C Credit Documents (the "*Prepetition Tranche C Obligations* "); and

***3** (iv) *Prepetition Tranche D Obligations.* Pursuant to that certain Tranche D Credit Agreement dated as of October 20, 2008 (as amended, supplemented, restated, or otherwise modified prior to the Petition Date, the "*Prepetition Tranche D Loan Agreement* " and together with all other loan, guaranty, security and other documents executed in connection therewith, the "*Prepetition Tranche D Credit Documents* ", and together with the Prepetition Tranche C Credit Documents, the "*Prepetition Junior Credit Documents* ", and together with the Prepetition Senior Credit Documents, the "*Prepetition Credit Documents* "), among the Borrowers, Guarantor, PGDYS Lending LLC, as Agent (the "*Prepetition Tranche D Agent* ", and together with the Prepetition Tranche C Agent, the "*Prepetition Junior Agents* ", and together with the Prepetition Senior Agents, the "*Prepetition Agents* ") and the lenders that are parties thereto from time to time (collectively, together with the Prepetition Tranche D Agent, the "*Prepetition Tranche D Lenders* ", and collectively with the Prepetition Tranche C Lenders, the "*Prepetition Junior Lenders* ", and together with the Prepetition Senior Secured Lenders, the "*Prepetition Secured Lenders* "), the Debtors are indebted to the Prepetition Tranche D Lenders in a principal amount of at least $15 million, together with interest, fees, expenses, and all other "Obligations" as defined in the Prepetition Tranche D Credit Documents (the "*Prepetition Tranche D Obligations* ", and together

with the Prepetition Senior Secured Obligations and the Prepetition Tranche C Obligations, the "*Prepetition Secured Obligations* "); and

D. The Prepetition Secured Obligations were incurred in connection with exit financing (the "*Exit Facility* ") approved by the United States Bankruptcy Court for the District of Delaware in cases jointly administered under Case No. 08–11133(CSS) (the "*First Bankruptcy* ") pursuant to that certain Proposed Findings Of Fact, Conclusions Of Law And Order Confirming The Second Amended Joint Plan Of Reorganization Proposed By Goody's Family Clothing, Inc. Its Subsidiary Debtors And The Official Committee Of Unsecured Creditors ordered by the Court on October 7, 2008 (the "*Confirmation Order* ") finding, among other things, that the commitment letters and the documents granting collateral security required thereunder were legal, valid, binding and authorized obligations of the Debtors (defined in the Confirmation Order as the "*Reorganized Debtors* ") and enforceable in accordance with their terms, with all creditors (existing and thereafter) bound thereby;

E. Prior to the Petition Date, in connection with the Exit Facility, the Debtors granted valid, nonavoidable security interests in and liens (the "*Prepetition Liens* ") upon substantially all of their assets (the "*Prepetition Collateral* ") to the Prepetition Agents for the benefit of themselves and the Prepetition Secured Lenders; and

***4** F. The Prepetition Agents have represented and the Debtors have waived their rights to challenge that such Prepetition Liens upon the Prepetition Collateral have been perfected; and

G. The Debtors represent that as of the Petition Date, the value of the Prepetition Collateral exceeded the amount of the Prepetition Senior Secured Obligations and, accordingly, that the claims of the Prepetition Senior Secured Lenders were oversecured; and

H. The Prepetition Junior Tranche C Agent has asserted and the Debtors have waived the right to challenge that as of the Petition Date, the value of the Prepetition Collateral exceeded the amount of the Prepetition Tranche C Obligations and, accordingly, that the claims of the Prepetition Tranche C Lenders are oversecured; and

I. The Debtors have represented that, from and after the Repayment Date, all of the Debtors' cash, including the cash in their deposit accounts, wherever located, whether as original collateral or proceeds of other Prepetition Collateral, constitutes the "Cash Collateral" (as defined in section 363(a) of the Bankruptcy Code) of the Prepetition Agents and Prepetition Secured Lenders; and

J. The Prepetition Junior Lenders have agreed to allow the Debtors to continue to use their Cash Collateral as specified in this Final Order, with the consent of the Prepetition Agents and Prepetition Secured Lenders.

NOW, THEREFORE, the Court having jurisdiction over this matter; and no other or further notice being necessary to afford the relief set forth herein; and it appearing that entry of this Final Order is in the best interests of the Debtors and their estates and creditors;

IT IS HEREBY ORDERED that:

1. All objections to the Motion and entry of this Final Order to the extent not withdrawn or resolved are hereby overruled;

2. Subject to the terms and conditions of this Final Order the Debtors shall be entitled to use Cash Collateral of all Prepetition Junior Lenders from and after the Petition Date through and including August 1, 2009 (the "*Termination Date* "), *provided* that any use of Cash Collateral shall be in accordance with the budget approved by the Prepetition Junior Agents and attached hereto as Exhibit A (the "*Budget* ");

3. The Prepetition Senior Secured Obligations are deemed to be Allowed Secured Claims pursuant to Sections 502 and 506 of the Bankruptcy Code in accordance with the Confirmation Order authorizing the incurring of these obligations;

4. As adequate protection of the interests of the Prepetition Secured Lenders in the Prepetition Collateral for any diminution in value caused by the use of Cash Collateral, the use, sale or lease of any other Prepetition Collateral, the subordination of the Prepetition Liens to the Carve–Out (as defined herein) or the imposition of the automatic stay, the Debtors were authorized by the First Interim Order to grant and have granted to the Prepetition Secured Lenders (and such grant was,

by the Second Interim Order and Third Interim Order, and hereby is ratified, confirmed and approved on a final basis) valid, continuing, and automatically perfected first priority security interests and replacement liens (the "*Adequate Protection Liens* ") in and upon all of the Debtors' properties and assets, real [3] or personal, whether acquired before or after the Petition Date, whether now owned and existing or hereafter acquired, created or arising, and all products and proceeds thereof, and all accessions thereto, substitutions and replacements therefore, and wherever located, and all assets acquired by the Debtors' estates on or after the Petition Date (collectively, the "*Postpetition Collateral* ", and together with the Prepetition Collateral, the "*Collateral* "). The Adequate Protection Liens shall include causes of action under section 549 of the Bankruptcy Code and the proceeds thereof, but shall not include other causes of action under chapter 5 of the Bankruptcy Code and shall be subject only to (a) the Carve Out; (b) existing valid, enforceable, non-avoidable liens that were, as a matter of law, senior to the liens of the Prepetition Agents and Prepetition Secured Lenders as of the Petition Date; and (c) the quarterly fees payable to the United States Trustee and Clerk of the Court pursuant to 28 U.S.C. § 1930 and shall otherwise be senior to all other liens, claims, or interests in or to the Collateral, *provided however* that

***5** (i) the Adequate Protection Liens granted to the Prepetition Senior Agents and Prepetition Senior Secured Lenders shall be and remain senior at all times to the Adequate Protection Liens and prepetition liens of the Prepetition Junior Agents and Prepetition Junior Lenders,

(ii) the Adequate Protection Liens granted to the Prepetition Revolver Agent and Prepetition Revolver Lenders shall be senior to the Adequate Protection Liens and prepetition liens of the Prepetition Term Loan Agent and Prepetition Term Loan Lenders in accordance with the Intercreditor Agreement (as defined herein) with respect to all types of Collateral as to which the liens of the Prepetition Revolver Agent and Prepetition Revolver Lenders had priority as of the Petition Date ("*Revolver Priority Collateral* "): and

(iii) the Adequate Protection Liens granted to the Prepetition Term Loan Agent and Prepetition Term Loan Lenders shall be senior to the Adequate Protection Liens and prepetition liens granted to the Prepetition Revolver Agent and Prepetition Revolver Lenders in accordance with the Intercreditor Agreement with respect to all types of Collateral as to which the Prepetition Term Loan Agent and Prepetition Term Loan Lenders had priority as of the Petition Date ("*Term Loan Priority Collateral* "). The Adequate Protection Liens shall be automatically and properly perfected, valid and enforceable upon entry of this Final Order without the need for any filing, recordation, or other action whatsoever by any Prepetition Agent or any Prepetition Secured Lender that might otherwise be required under applicable non-bankruptcy law;

6. The Adequate Protection Liens shall be enforceable against and binding upon the Debtors, their estates and any successors thereto, including without limitation, any trustee or other estate representative appointed or elected in the Cases, or any case under chapter 7 of the Bankruptcy Code upon the conversion of any of the Cases, or in any other proceedings superseding or related to any of the foregoing (collectively, "*Successor Cases* "); *provided* that except as expressly set forth herein (or upon the prior written consent of the Prepetition Agents), the Adequate Protection Liens shall not be made subject to or *pari passu* with any lien or security interest by any court order heretofore or hereafter entered in the Cases or any Successor Cases, and the Adequate Protection Liens shall be valid and enforceable against any trustee appointed or elected in any of the Cases or any Successor Cases, or upon the dismissal of any of the Cases or Successor Cases; *and provided further* that the Adequate Protection Liens shall not be subject to sections 506(c), 510, 549, or 550 of the Bankruptcy Code, nor shall any lien or interest avoided and preserved for the benefit of any estate pursuant to section 551 of the Bankruptcy Code be made *pari passu* with or senior to the Adequate Protection Liens;

7. The security interests and liens granted to the Prepetition Secured Lenders pursuant this Final Order shall not be subordinated to or made *pari passu* with any other lien, security interest or administrative claim under Section 364 of the Bankruptcy Code or otherwise, except for the Carve Out, unless otherwise ordered by the Court after notice and hearing;

***6** 8. As additional adequate protection, the Prepetition Secured Lenders were each granted pursuant to the First Interim Order (and such grant was, by the Second Interim

Order and Third Interim Order, and hereby is ratified, confirmed and approved on a final basis), as and to the extent provided in section 503(b) and 507(b) of the Bankruptcy Code an allowed superpriority administrative expense claim in each of the Cases and any Successor Cases (collectively, the "*Superpriority Claims* "), which shall be junior only to the Carve Out. Except for the Carve Out, the Superpriority Claims shall have priority over all administrative expense claims and unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 726 (to the extent permitted by law), 1113 and 1114 of the Bankruptcy Code; *provided however that*

(i) the Superpriority Claims granted to the Prepetition Senior Agents and Prepetition Senior Secured Lenders shall be and remain senior at all times to the Superpriority Claims and prepetition claims of the Prepetition Junior Agents and Prepetition Junior Lenders;

(ii) the Superpriority Claims of the Prepetition Revolver Agent and Prepetition Revolver Lenders shall be senior to the Superpriority Claims of the Prepetition Term Loan Agent and Prepetition Term Loan Lenders with respect to Revolver Priority Collateral; and

(iii) the Superpriority Claims of the Prepetition Term Loan Agent and Prepetition Term Loan Lenders shall be senior to the Superpriority Claims of the Prepetition Revolver Agent and Prepetition Revolver Lenders with respect to Term Loan Priority Collateral;

9. As additional adequate protection for the Prepetition Senior Secured Lenders, the Debtors were authorized and directed to provide, in addition to the payments made pursuant to the First Interim Order (which payments are hereby ratified, confirmed and approved on a final basis) adequate protection payments to the Prepetition Senior Secured Lenders (the "*Senior Adequate Protection Payments* "), in the form of and in the following order of payment: (a) on the Repayment Date, (i) indefeasible payment in full in cash of the Prepetition Revolver Obligations, the cancellation, backing, or cash collateralization of all letters of credit under the Prepetition Revolver Credit Agreement, and the funding of the Revolver Indemnity Account (as defined herein), (ii) funding of the Bank Products Indemnity Account (as defined herein); and (iii) indefeasible payment in full in cash of the Prepetition Term Loan Obligations and the funding of the Term Loan Indemnity Account (as defined herein); (b) ongoing payment of the fees, costs and expenses of the Prepetition Senior Agents, including, without limitation, the reasonable fees and expenses of legal and other professionals retained by the Prepetition Senior Agents; and (c) payments of interest at the default rate, fees and other amounts due under the Prepetition Senior Credit Documents, at the times specified therein;

***7** 10. As additional adequate protection for the Prepetition Tranche C Lenders, upon the occurrence of the Repayment Date, the Debtors were authorized and directed, subject to any limitations in the Intercreditor Agreement (defined below), to provide adequate protection payments to the Prepetition Tranche C Lenders (the "*Tranche C Adequate Protection Payments* "), in the form of: (i) payments of interest at the default rate, fees and other amounts due under the Prepetition Tranche C Credit Documents, at the times specified therein; and (ii) ongoing payment of the fees, costs and expenses of the Prepetition Tranche C Agent, including, without limitation, the reasonable fees and expenses of legal and other professionals retained by the Prepetition Tranche C Agent;

11. Prepetition Indemnity Accounts.

(a) *Revolver Indemnity Account.* On or about the Repayment Date, the Debtors established an account in the control of the Prepetition Revolver Agent (the "*Revolver Indemnity Account* "), into which, upon the payment in full in cash of all Prepetition Revolver Obligations and the cancellation, backing, or cash collateralization of all letters of credit under the Prepetition Revolver Credit Documents, $250,000 was deposited as additional security for any reimbursement, indemnification or similar continuing obligations of the Debtors in favor of the Prepetition Revolver Agent and Prepetition Revolver Lenders under the Prepetition Revolver Credit Documents (the "*Revolver Indemnity Obligations* "). The Revolver Indemnity Account shall terminate upon the earlier to occur of (i) expiration of the Challenge Period (as defined herein) if, as of such date, no party has filed or asserted against the Prepetition Revolver Agent or any Prepetition Revolver Lender an adversary

proceeding, cause of action, objection, claim, defense or other challenge as contemplated in Paragraph 18 herein and (ii) delivery by the Statutory Committee to the Prepetition Revolver Agent of irrevocable written notice (a "*No–Action Notice* ") that the Statutory Committee will not file or assert a Challenge (as defined herein) against the Prepetition Revolver Agent and Prepetition Revolver Lenders. The Prepetition Revolver Agent and Prepetition Revolver Lenders were granted (and such grant is hereby ratified, confirmed and approved) a first priority lien on the Revolver Indemnity Account to secure the Revolver Indemnity Obligations and other Prepetition Revolver Obligations and the Prepetition Term Agent and Prepetition Term Lenders were (and such grant is hereby ratified, confirmed and approved) granted a second priority lien on the Revolver Indemnity Account to secure the Prepetition Term Loan Obligations. If the amounts on deposit in the Revolver Indemnity Account are insufficient to pay all such Revolver Indemnity Obligations, the Prepetition Revolver Agent reserves the right to recover any deficiency from the Debtors and their estates therefor and shall retain all rights under the Prepetition Liens and any other adequate protection granted hereunder as security for such deficiency.

***8** (b) *Term Loan Indemnity Account.* On or about the Repayment Date, the Debtors established an account in the control of the Prepetition Term Loan Agent (the "*Term Loan Indemnity Account* "), into which, upon the payment in full in cash of all Prepetition Term Loan Obligations, $250,000 was deposited as additional security for any reimbursement, indemnification or similar continuing obligations of the Debtors in favor of the Prepetition Term Loan Agent and Prepetition Term Loan Lenders under the Prepetition Term Loan Credit Documents (the "*Term Loan Indemnity Obligations* "): *provided, however,* that the Term Loan Indemnity Account shall terminate upon the earlier to occur of (i) expiration of the Challenge Period (as defined herein) if, as of such date, no party has filed or asserted against the Prepetition Term Loan Agent or any Prepetition Term Loan Lender an adversary proceeding, cause of action, objection, claim, defense or other challenge as contemplated in Paragraph 18 herein and (ii) delivery by the Statutory Committee to the Prepetition Term Loan Agent of a No–Action Notice that the Statutory Committee will not file or assert a Challenge (as defined herein) against the Prepetition Term Loan Agent and Prepetition Term Loan Lenders. The Prepetition Term Loan Agent and Prepetition Term Loan Lenders were granted (and such grant is hereby ratified, confirmed and approved) a first priority lien on the Term Loan Indemnity Account to secure the Term Loan Indemnity Obligations and other Prepetition Term Loan Obligations and the Prepetition Revolver Agent and Prepetition Revolver Lenders were granted (and such grant is hereby ratified, confirmed and approved) a second priority lien on the Term Loan Indemnity Account to secure the Prepetition Revolver Obligations. If the amounts on deposit in the Term Loan Indemnity Account are insufficient to pay all such Term Loan Indemnity Obligations, the Prepetition Term Loan Agent reserves the right to recovery any deficiency from the Debtors and their estates therefor and shall retain all rights under the Prepetition Liens and any other adequate protection granted hereunder as security for such deficiency.

(c) *Bank Products Indemnity Account.* On or about the Repayment Date, the Debtors established an account in the control of Bank of America, N.A. (the "*Bank Products Indemnity Account* "), into which $250,000 was deposited as security for obligations of the Debtors to Bank of America, N.A. arising out of the provision of bank products (including ACH exposure and purchase cards), whether prepetition or postpetition (the "*Bank Products Obligations* "). Bank of America, N.A, was granted (and such grant is hereby ratified, confirmed and approved) a first priority lien on the Bank Products Indemnity Account, the Prepetition Revolver Agent, for the benefit of itself and the Prepetition Revolver Lenders, was granted (and such grant is hereby ratified, confirmed and approved) a second priority lien on the Bank Products Indemnity Account and the Prepetition Term Loan Agent, for the benefit of itself and the Prepetition Term Loan Lenders was granted (and such grant is hereby ratified, confirmed and approved) a third priority lien on the Bank Products Indemnity Account. In the event that any Bank Products Obligations are not paid when due, Bank of America, N.A. may, without further notice or order of this Court, charge the Bank Products Indemnity Account for any such unpaid Bank Products Obligations. If the amounts on deposit in the Bank Products Indemnity Account are insufficient to pay all such Bank Products Obligations, Bank of America N.A. reserves the right to recovery any deficiency from the Debtors and their estates therefor and shall retain all rights under the Prepetition Liens and any other adequate protection granted hereunder as security for such deficiency. At such time as all Bank Products

have been terminated and Bank of America N.A. has determined, in its reasonable judgment, that no further liability of the Debtors exists or may arise on account thereof, Bank of America shall return any unused portion of the Bank Products Indemnity Account;

***9** 12. Any proceeds from the Agency Agreement or Cash Collateral remaining in the Debtors' estate after payment of (i) the Senior Adequate Protection Payments (including indefeasible payment in full in cash of the Prepetition Senior Secured Obligations, the cancellation, backing, or cash collateralization of all letters of credit under the Prepetition Revolver Credit Agreement, and the funding of the Revolver Indemnity Account, Term Loan Indemnity Account and the Bank Products Indemnity Account); and (ii) the Tranche C Adequate Protection Payments, shall be not be distributed or otherwise used by the Debtors for any purpose pending further order of the Court after notice and hearing;

13. The following agreements shall continue to be in full force and effect:

(i) that certain Intercreditor Agreement, dated as of October 20, 2008 (the "*Intercreditor Agreement* ") that governs (and which all parties shall continue to be bound by and subject to) the respective rights, interests, obligations, priority, and the positions of the Prepetition Revolver Agent, Prepetition Revolver Lenders, Prepetition Term Loan Agent and Prepetition Term Loan Lenders; and

(ii) that certain Subordination Agreement dated October 20, 2008 among the Prepetition Revolver Agent, the Prepetition Term Loan Agent, the Prepetition Tranche C Agent and Prepetition Tranche D Agent (the "*Subordination Agreement* ") which governs (and which all parties shall continue to be bound by and subject to) the respective rights, interests, obligations, priority, and the positions of the Prepetition Senior Agents and Prepetition Senior Secured Lenders and the Prepetition Tranche C Agent, Prepetition Tranche C Lenders, Prepetition Tranche D Agent and Prepetition Tranche D Lenders;

14. This Final Order shall be sufficient and conclusive evidence of the priority, perfection, attachment, and validity of all of the Adequate Protection Liens, which shall, by virtue of this Final Order, constitute valid and automatically perfected security interests without the necessity of creating, filing, recording, or serving any mortgages, deeds of trust, assignments, financing statements, or other documents that might otherwise be required under federal or state law in any jurisdiction or the taking of any other action to validate or perfect the Adequate Protection Liens;

15. As used in this Final Order, the term "*Carve Out* " means the following expenses: (i) statutory fees payable to the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) and (ii) $3,200,000, less the allowed and paid professional fees and disbursements ("*Allowed Professional Fees* ") incurred by the Debtors and any statutory committee for any professionals (the "*Case Professionals* ", *provided* that and the term "Case Professionals" shall not include any liquidation consultant including, without limitation, the Agent pursuant to the Agency Agreement) retained by a final order of the Court (which order has not been vacated, stayed, or appealed) by the Debtors and any statutory committee under sections 327 or 1103(a) of the Bankruptcy Code) (the "*Case Professional Carve Out* ") *provided, further,* that from and after the Repayment Date, the Prepetition Senior Secured Lenders have, and shall have, no continuing obligations hereunder, other than any obligations pursuant to the Revolver Indemnity Account, Term Loan Indemnity Account or Bank Products Indemnity Account. The Carve Out shall be senior in priority to the Prepetition Liens, the Adequate Protection Liens, and the Superpriority Claims. The Carve Out shall not attach to the Prepetition Indemnity Accounts described in paragraph 11 hereof. No payment of any Carve Out amount shall reduce any Prepetition Secured Obligations;

***10** 16. The Prepetition Secured Lenders shall not be responsible for the direct payment or reimbursement of any fees or disbursements of any Case Professionals incurred in connection with the Cases or any Successor Cases. Nothing in this Final Order or otherwise shall be construed (i) to obligate the Prepetition Secured Lenders in any way to pay compensation to or to reimburse expenses of any Case Professional, or to guarantee that the Debtors have sufficient funds to pay such compensation or reimbursement, (ii) to increase the Carve Out if actual Allowed Professional Fees are higher in fact than $3,200,000, (iii) as consent to the allowance of any professional fees or expenses of any Case Professionals, or (iv) to affect the right of the Prepetition Secured Lenders

to object to the allowance and payment of such fees and expenses;

17. The Cash Collateral and the Case Professionals Carve Out may not be used: (a) in connection with or to finance in any way any action, suit, arbitration, proceeding, application, motion or other litigation of any type (i) against the Prepetition Agents or the Prepetition Secured Lenders or seeking relief that would impair their rights and remedies under the Prepetition Secured Obligations or this Final Order, including, without limitation, for the payment of any services rendered by the professionals retained by the Debtors or any statutory committee in connection with the assertion of or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defense or other contested matter, the purpose of which is to seek, or the result of which would be to obtain, any order, judgment determination, declaration or similar relief that would impair the ability of the Prepetition Agents or the Prepetition Secured Lenders to recover on the Prepetition Obligations or seeking affirmative relief against them, (ii) invalidating, setting aside, avoiding or subordinating, in whole or in part, the Prepetition Obligations, (iii) for monetary, injunctive or other affirmative relief against any Prepetition Secured Lenders or their respective collateral that would impair the ability of the Prepetition Secured Lenders to recover on the Prepetition Obligations or seeking affirmative relief against them, or (iv) preventing, hindering or otherwise delaying the exercise by the Prepetition Secured Lenders of any rights and/or remedies under this Final Order, the Prepetition Documents, or applicable law, or the enforcement or realization (whether by foreclosure, credit bid, further order of the Court or otherwise) by the Prepetition Secured Lenders upon any of the Collateral; (b) to make any distribution under a plan of reorganization in any of the Cases; (c) to make any payment in settlement of any claim, action or proceeding, before any court, arbitrator or other governmental body without the prior written consent of the Prepetition Secured Lenders, unless otherwise ordered by the Court; (d) to pay any fees or similar amounts to any person who has proposed or may propose to purchase interests in any of the Debtors without the prior written consent of the Prepetition Secured Lenders, (e) for using or seeking to use any insurance proceeds constituting Collateral without the prior consent of the Prepetition Secured Lenders; (f) for incurring Indebtedness (as defined in the Prepetition Credit Documents) outside the ordinary course of business without the prior consent of the Prepetition Secured Lenders; (i) for objecting to or challenging in any way the claims, liens, or interests (including interests in the Collateral) held by or on behalf of any Prepetition Agent or Prepetition Lender; (j) for asserting, commencing or prosecuting any claims or causes of action whatsoever, including, without limitation, any actions under chapter 5 of the Bankruptcy Code, against any Prepetition Agent or Prepetition Lender; (k) for prosecuting an objection to, contesting in any manner, or raising any defenses to, the validity, extent, amount, perfection, priority, or enforceability of any of the Prepetition Obligations or any other rights or interests of any Prepetition Agent or Prepetition Lender; or (l) for preventing, hindering or otherwise delaying the exercise by any Prepetition Agent or Prepetition Lender of any rights and remedies granted under this Final Order. Notwithstanding the foregoing, the Cash Collateral and the Case Professionals Carve Out may be used by any statutory committee to investigate the Prepetition Obligations, the Prepetition Liens and/or a potential Challenge (as that term is defined herein), provided that no more than $75,000 in the aggregate may be spent from the aforementioned sources on such investigations. Effective as of the Repayment Date, the rights and benefits of the Prepetition Senior Secured Lenders in this paragraph shall, and hereby do, inure to the benefit of the Prepetition Junior Lenders;

***11** 18. The rights of a statutory committee and any other party in interest granted standing by the Court (other than the Debtors), shall not be prejudiced to seek to object to or to challenge the Debtors' stipulations as set forth herein, as to:

(a) the perfection of the mortgage, security interests, and liens of any Prepetition Senior Secured Lenders or the amount of any Prepetition Senior Secured Lender's claims;

(b) the validity, extent, priority, or perfection of the mortgage, security interests, and liens of any Prepetition Junior Lender; and

(c) the validity, allowability, priority, full secured status or amount of the Prepetition Junior Obligations;

A party, including any statutory committee, must commence, as appropriate, a contested matter or

adversary proceeding raising such objection or challenge, including, without limitation, any claim against any Prepetition Senior Secured Lenders and the Prepetition Junior Lenders in the nature of a setoff, counterclaim or defense to the applicable Prepetition Obligations (each, a "*Challenge* ") within the earlier of: (i) with respect to any statutory committee, sixty (60) calendar days from the date of formation of the statutory committee, and (ii) with respect to other parties in interest with requisite standing other than the Debtors or any statutory committee, seventy-five (75) calendar days following the date of entry of the First Interim Order (together, the "*Challenge Period* "). Upon the earlier of (i) the occurrence of the expiration of the Challenge Period (the "*Challenge Period Termination Date* ") and (ii) receipt of a No–Action Notice by the applicable Prepetition Agent, as to any Prepetition Agent or Prepetition Lender against whom a Challenge has not been properly commenced: (A) any and all such Challenges by any party (including, without limitation, any statutory committee, any chapter 11 trustee, and/or any examiner or other estate representative appointed in these Cases, and any chapter 7 trustee and/or examiner or other estate representative appointed in any Successor Case), shall be deemed to be forever waived, released and barred and (B) all of the Debtors' stipulations, waivers, releases, affirmations and other stipulations and representations set forth herein as to the priority, extent, validity, amount and secured status as to each of the Prepetition Senior Secured Lenders' and the Prepetition Junior Lenders' claims, liens, and interests (including, without limitation, those contained in Paragraphs C, D, E, F, G, H, and I herein) shall be of full force and effect and forever binding upon the Debtors, the Debtors' bankruptcy estates and all creditors, interest holders, and other parties in interest in these Cases and any Successor Cases;

19. The Debtors and the Prepetition Secured Lenders are hereby authorized and directed to perform all acts, take any action, and execute and comply with the terms of such other documents, instruments, and agreements, as the Prepetition Secured Lender may require as evidence of and for the protection of the Prepetition Collateral, Cash Collateral, and the Postpetition Collateral, or that may be otherwise deemed necessary by the Prepetition Secured Lenders to effectuate the terms and conditions of this Final Order;

***12** 20. Until the Termination Date, the Debtors shall maintain the cash management system in effect as of the date hereof;

21. The Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the Collateral without the prior written consent of the Prepetition Junior Agents; *provided, however,* that the Debtors are permitted to sell, transfer, convey, assign or otherwise dispose of any Collateral (i) constituting the sale of Inventory (as defined in the Prepetition Credit Documents) in the ordinary course of business, (ii) in accordance with the assumption of the Agency Agreement as consented to by the Prepetition Agents, or (iii) as further ordered by the Court;

22. The Prepetition Agents and Prepetition Secured Lenders shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the Prepetition Collateral;

23. No costs or expenses of administration which have been or may be incurred in the Debtors' cases at any time shall be charged against any Prepetition Agent or Prepetition Lender, or any of their respective claims or the Collateral pursuant to sections 105 or 506(c) of the Bankruptcy Code, or otherwise, without the prior written consent of the applicable Prepetition Agent or Prepetition Lender, and no such consent shall be implied from any other action, inaction, or acquiescence by any such agents or lenders. The Prepetition Agents and Prepetition Secured Lenders are entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and the "equities of the case" exception under section 552(b) of the Bankruptcy Code shall not apply to any of the Prepetition Agents or Prepetition Secured Lenders with respect to proceeds, product, offspring or profits of any of the Prepetition Collateral;

24. The automatic stay of 11 U.S.C. § 362 is hereby vacated and modified only to the extent necessary to permit the Debtors, the Prepetition Agents, and the Prepetition Secured Lenders to commit all acts and take all actions necessary to implement this Final Order;

25. Notwithstanding anything herein to the contrary, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly: (i) the Prepetition Agents' or any Prepetition Secured

Lender's, right to seek any other or supplemental relief in respect of any Debtor, including the right to seek additional adequate protection (without prejudice to any other person's right to object to or otherwise oppose such additional adequate protection); (ii) any of the rights of any Prepetition Agent or Prepetition Secured Lender under the Bankruptcy Code or under non-bankruptcy law, including, without limitation, the right to (a) request modification of the automatic stay of section 362 of the Bankruptcy Code, (b) request dismissal of any of the Cases or Successor Cases, conversion of any of the Cases to cases under chapter 7, or appointment of a chapter 11 trustee or examiner with expanded powers, or (c) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a chapter 11 plan or plans;

***13** 26. Based on the record at the Interim Hearings, the Prepetition Agents and Prepetition Secured Lenders each have acted in good faith in connection with this Final Order and their reliance on this Final Order is in good faith;

27. Effective as of the Repayment Date, the Prepetition Tranche C Agent and Prepetition Tranche C Lenders shall be, and are, entitled to enforce any rights or benefits provided to the Prepetition Senior Agents or Prepetition Senior Secured Lenders as provided under this Final Order;

28. Effective as of the Repayment Date, the Prepetition Tranche D Agent and Prepetition Tranche D Lenders shall be, and are, entitled to enforce any rights or benefits provided to the Prepetition Tranche C Agent or Prepetition Tranche C Lenders as provided under this Final Order;

29. Any actions taken pursuant hereto shall survive entry of any order that may be entered converting to the Cases to Chapter 7 or dismissing any of the Cases; and

30. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation and/or interpretation of this Final Order.

All Citations

Not Reported in B.R., 2009 WL 7698528

Footnotes

1 The Borrowers are: Goody's, LLC, New SYDOOG LLC, New Trebor of TN, LLC, New GOFAMCLO LLC, New Goody's Giftco, LLC, New Goody's MS, L.P., New GFCTX, L.P, New Goody's IN, L.P., New GFCTN, L.P., New GFCGA, L.P., New Goody's Holding TN, LLC, New Goody's TNDC, L.P., New Goody's ARDC, L.P., and New Goody's Retail MS, L.P.

2 Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact, as appropriate. *See* Fed. R. Bankr.P. 7052.

3 With respect to leaseholds that were not subject to valid leasehold mortgages in favor of the Prepetition Agents as of the Petition Date, the Adequate Protection Liens (as defined herein) extend only to the proceeds of leased real property and are not direct liens on those leases.

End of Document

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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: McDermott Will & Emery LLP, 2049 Century Park East, 38th Floor, Los Angeles, CA 90067-3218.

A true and correct copy of the foregoing document entitled COMBINED LIMITED RESPONSE OF U.S. BANK NATIONAL ASSOCIATION, AS SERIES 2015 NOTE TRUSTEE AND SERIES 2017 NOTE TRUSTEE, TO MASTER TRUSTEE AND SERIES 2005 TRUSTEE'S OBJECTION TO 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 October 1, 2018, I checked the CM/ECF docket for this bankruptcy case and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

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Emily P. Rich, Tracy L. Mainguy, and Caitlin E. Gray on behalf of Stationary Engineers Local 39, SEIU United Healthcare Workers-West, Stationary Engineers Local 39 Pension Trust Fund, and Stationary Engineers Local 39 Health & Welfare Trust Fund
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mrose@buchalter.com

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Neal L. Wolf on behalf of San Jose Medical Group, Inc.
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Monique D. Jewett-Brewster on behalf of Paragon Mechanical, Inc.
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☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:
On October 1, 2018, I served the following persons and/or entities at the last known addresses in this bankruptcy case 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.

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Sam J. Alberts, Dentons US LLP, 1900 K Street NW, Washington, DC 20006-1100

David W. Lively, Matthew P. James, Monique D. Jewett-Brewster, Hopkins & Carley, 70 S First Street, San Jose, CA 95113

Marilyn Klinger, Ryan B. Luther, SMTO Law, LLP, 355 S. Grand Avenue, Suite 2450, Los Angeles, CA 90071

John Ryan Yant, Carlton Fields Jorden Burt, P.A. 4221 W. Boy Scout Blvd., Suite 1000 Tampa, FL 33607-5780

☐ 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 _____, 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.

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

October 1, 2018	Jason D. Strabo	/s/ Jason D. Strabo
Date	*Printed Name*	*Signature*

JONES DAY
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William J. Schumacher (Cal. Bar No. 303862)
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Los Angeles, California 90071
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Fax: (213) 243-2539
Email: bbennett@jonesday.com
wschumacher@jonesday.com

Attorneys for Verity MOB Financing LLC and Verity MOB Financing II LLC

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *ET AL.*,

Debtors.

CASE NO. 2:18-bk-20151-ER
Jointly Administered
Chapter 11 Cases

RESERVATION OF RIGHTS OF VERITY MOB FINANCING LLC AND VERITY MOB FINANCING II LLC WITH RESPECT TO PROPOSED FINAL DIP ORDER

Verity MOB Financing LLC and Verity MOB Financing II LLC (collectively, "MOB Financing Entities"), with respect to the MOB Financing,[1] hereby submit this reservation of rights with respect to the *Emergency Motion of Debtors for Interim and Final Orders (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* [Docket No. 31] (the "DIP Motion") and the *Objection to Motion of Debtors for Interim and Final Orders (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* [Docket No. 292] (the "Objection") filed by UMB Bank, N.A., as successor master indenture trustee (the "Master Trustee"), and Wells Fargo Bank, National Association, as indenture trustee for the Series 2005 Bonds (the "Series 2005 Trustee"), and respectfully state as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

3. On September 5, 2018, the Court held a hearing on the DIP Motion. On September 6, 2018, the Court entered the *Interim 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* [Docket No. 86] (the "Interim DIP Order"). The Interim DIP Order was the result of negotiations between the various lenders, including the MOB Financing Entities.

[1] Terms not otherwise defined herein shall have the meaning ascribed in the DIP Motion or Interim DIP Order (as defined herein).

4. Subject to the protections that the MOB Financing Entities are entitled to receive as perfected prepetition secured creditors, including without limitation, adequate protection for priming liens being granted to the DIP Lender and the use, sale or lease of Prepetition Collateral, including Cash Collateral, the MOB Financing Entities supported the entry of the Interim DIP Order approving the DIP Facility. The MOB Financing Entities continue to support the relief requested by the Debtors in the form of the revised proposed Final Order attached as Exhibit 1 to the *Omnibus Supplemental Reply Of Debtors' To The Objections To The Debtors' Motion 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* [Docket No. 355] (the "Debtors' Proposed Final Order").

RESERVATION OF RIGHTS

5. The provisions set forth in the Interim DIP Order and the Debtors' Proposed Final Order properly protect and preserve the relative lien rights of each of the Prepetition Secured Creditors against the risk that their interest in the Prepetition Collateral will be used to repay the DIP Loan or otherwise diminished, and must continue to be included in any final order approving the DIP Motion.

6. The MOB Financing Entities support the Debtors' Final Order. The MOB Financing Entities do not consent to the proposed Final Order in the form attached to the Objection

7. The MOB Financing Entities hereby expressly reserve all of their rights, claims, objections, and remedies with respect to any changes in circumstances or modifications to the Final Order. Without limiting the foregoing, the MOB Financing Entities further reserve their rights to object to any other proposed debtor-in-possession financing on different terms or with another lender. The MOB Financing Entities' support for the Debtors' Final Order is based on the order's approval of a specific debtor-in-possession financing offered by the DIP Lenders. If an existing secured lender becomes the DIP lender, different issues are presented. In that event, any DIP loan should be repaid from a Debtor that uses the moneys advanced, and the MOB Financing

Entities, accordingly, reserve their rights to object to the extent that the Final Order does not contain provisions appropriately protecting the secured parties in light of the changed circumstances.

8. As they have done with the Interim DIP Order and the Debtors' Final Order, the MOB Financing Entities will continue their good faith efforts to address any concerns with the Final Order through negotiations with the Debtors and other parties in interest.

Respectfully Submitted,

Dated: October 1, 2018

JONES DAY

By: */s/ Bruce S. Bennett*
Bruce S. Bennett
555 South Flower Street, 50th Floor
Los Angeles, California 90071

Counsel for Attorneys for Verity MOB Financing LLC and Verity MOB Financing II LLC

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:

Jones Day
555 South Flower Street, 50th Floor
Los Angeles, CA 90071

A true and correct copy of the foregoing document entitled (*specify*): RESERVATION OF RIGHTS OF VERITY MOB FINANCING LLC AND VERITY MOB FINANCING II LLC WITH RESPECT TO PROPOSED FINAL DIP ORDER 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 October 1, 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 1, 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.

- Claude D. Montgomery, Dentons US LLP, 1221 Avenue of the Americas, New York, NY 10020-1000
- Sam J. Alberts, Dentons US LLP, 1900 K Street NW, Washington, DC 20006-1100
- David W. Lively, Matthew P. James, Monique D. Jewett-Brewster, Hopkins & Carley, 70 S First Street, San Jose,
- CA 95113
- Marilyn Klinger, Ryan B. Luther, SMTO Law, LLP, 355 S. Grand Avenue, Suite 2450, Los Angeles, CA 90071
- John Ryan Yant, Carlton Fields Jorden Burt, P.A. 4221 W. Boy Scout Blvd., Suite 1000 Tampa, FL 33607-5780
- Clark Whitmore, Maslon LLP, 3300 Wells Fargo Center, 90 S 7th St, Minneapolis, MN 55402
- Megan Preusker, Nathan F Coco, McDermott Will & Emery, 444 West Lake Street, Chicago, IL 60606-0029

☐ 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 _____, 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.

☐ 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.

10/1/2018	William Schumacher	/s/ *William Schumacher*
Date	*Printed Name*	*Signature*

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):

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

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtor and Debtor In Possession.	Lead Case No. 2:18-bk-20151-ER 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-20181-ER Chapter 11 Cases Hon. Ernest M. Robles **SUPPLEMENTAL OBJECTION TO 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** HEARING: Date: October 3, 2018 Time: 10:00 a.m. Ctrm: 1568
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Medical Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects DePaul Ventures, LLC ☐ Affects DePaul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

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Secured creditors UMB Bank, N.A., as successor master indenture trustee for the master indenture obligations described more fully below (the "Master Trustee"), and Wells Fargo Bank, National Association, as indenture trustee for the series 2005 revenue bonds also described more fully below (the "Series 2005 Trustee", and, collectively with the Master Trustee, the "Secured Parties") submit the following supplemental objection to the Debtors' request for a final order (a "Final Order") allowing their "*Emergency Motion of Debtors for Interim and Final Orders (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*" [Docket No. 31] (the "Financing Motion").

This supplemental objection is necessary to address two significant new issues that have emerged in connection with the Financing Motion, including one raised for the first time in the Debtors' "*Omnibus Reply of Debtors' to the Objections to the Debtors' Motion 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"* [Docket No. 309] (the "Financing Motion Reply"). In support of this supplemental objection, the Secured Parties state as follows:

I. PRELIMINARY STATEMENT

1. This supplemental objection addresses the Debtors'[1] recent assertion that the Secured Parties cannot challenge provisions of the Financing Motion under the guise of a prepetition Intercreditor Agreement, including terms that would grant other prepetition creditors priming replacement liens over the Secured Parties' prepetition collateral. That prepetition collateral includes hospital facilities that are not subject to the Intercreditor Agreement. As the Secured Parties were finalizing this supplemental objection to address the Debtor's new claim,

[1] Capitalized terms not defined in this supplemental objection are as defined in the Financing Motion.

another party to the Intercreditor Agreement, U.S. Bank National Association (the "Note Trustee"), filed its own supplemental response in these cases setting forth a similar argument.[2]

2. The timing of this new argument alone speaks volumes about the sincerity and merit of this contention. The Secured Parties submit that the Debtors' position, at least, has everything to do with the Debtors' desire to resolve at any cost an inconvenient (to the Debtors) intercreditor dispute that stands in the way of the Debtors' proposed Final Order on the Financing Motion, even if that cost involves interpreting the Intercreditor Agreement to materially alter the Secured Parties' prepetition lien priority in their prepetition collateral. The Debtors' and Note Trustee's position that they are merely "enforcing" the Intercreditor Agreement is also noteworthy; the Secured Parties have consistently indicated that further relief on the Financing Motion must respect and acknowledge the Intercreditor Agreement's terms. Under the banner of "enforcing" the Intercreditor Agreement, the Debtors and Note Trustee now seek the Court's assistance to override, amend or reinterpret the Intercreditor Agreement to the Note Trustee's advantage and the Secured Parties' detriment.

3. As set forth more fully below, the Debtors' and Note Trustee's argument is expressly contradicted by the Intercreditor Agreement terms and is not supported by applicable law. The Court should reject the underlying attempt by the Debtors and the Note Trustee to twist the Intercreditor Agreement into a purported advance consent by the Secured Parties to a result that violates the priorities carefully articulated in that very agreement. The Secured Parties have not consented and do not consent to the proposed Final Order's unauthorized grant of a priority replacement lien to the Note Trustee on estate assets on which it has a prepetition

[2] *See "Combined Limited Response of U.S. Bank National Association, as Series 2015 Note Trustee and Series 2017 Note Trustee, to Master Trustee and Series 2005 Trustee's Objection to 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"* [Docket No. 367] (the "Note Trustee Financing Motion Response").

lien on a parity with the Secured Parties. The Debtors and Note Trustee cannot avoid a full review of the issues the Secured Parties have raised over the Financing Motion.[3]

4. Separately, this supplemental objection also relates to a new debtor-in-possession financing alternative that offers better terms than the existing DIP Facility the Debtors are seeking to implement through the Financing Motion. As noted in a prior submission by the Secured Parties in these cases, the Secured Parties were not meaningfully consulted regarding the planned filing of these cases, nor were they or holders of the Series 2005 Bonds approached regarding their interest in providing debtor-in-possession financing. Although the lack of prior communications prevented the Secured Parties or holders of the Series 2005 Bonds from evaluating potential debtor-in-possession financing and presenting terms sooner, certain institutional holders of the Series 2005 Bonds have now made this financing alternative possible under terms that are more favorable to the estates and that would avoid valuation disputes over adequate protection. The Court should thus deny the Financing Motion.

II. BACKGROUND

A. Background relevant to allegations that the Secured Parties have consented to the Financing Motion.

5. The Debtors and the Note Trustee are attempting to use a procedural tactic to side step the Secured Parties' objections to the Financing Motions, including objections to priming replacement liens.

6. This effort to avoid the substantive issues raised by the Secured Parties arose long after an initial hearing on the Financing Motion and after a month of negotiation over the DIP Facility and the Debtors' adequate protection obligations. At no time during these negotiations did the Debtors or Note Trustee question the Secured Parties' rights to contest issues underlying the proposed DIP Facility. This contention only arose after the Secured Parties identified

[3] More importantly, the Secured Parties' resolution of this matter provides for maintaining the *status quo* and otherwise reserving the rights of all Prepetition Secured Creditors regarding the priority of the replacement liens, to the extent this actually becomes an issue.

material issues with the Financing Motion in their "*Objection to 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"* [Docket No. 292] (the "Financing Motion Objection"). The Financing Motion Objection establishes that no Final Order or other relief on the Financing Motion can provide adequate protection to the Secured Parties if the proposed replacement liens granted to other secured creditors prime the Secured Parties' existing prepetition liens. *See* Financing Motion Objection ¶¶ 27 – 34. In its current form, the Debtors are pursuing a Final Order that does exactly that.

7. The Debtors and Note Trustee are pushing interpretations of the "*Second Amended and Restated Intercreditor Agreement"* (the "Intercreditor Agreement") among Debtor Verity Health System of California, Inc., the Master Trustee, and the Notes Trustee that are actually contrary to the relevant agreement terms. A copy of the Intercreditor Agreement is of record in these cases as part of Docket No. 219. For the convenience of the Court and other parties, a copy is also attached as ***Exhibit A***.

8. The Debtors and Note Trustee seek to overcome the Secured Parties' natural objection to the Debtors' plan to provide other prepetition creditors priming liens on the Secured Parties' collateral by claiming that the Secured Parties, having specifically negotiated an Intercreditor Agreement, and the collateral on which the Note Trustee would have a priming lien, consented in advance to the Note Trustee unilaterally awarding itself additional, priming collateral.

9. None of the Debtors' or Note Trustee's arguments provide meaningful context about the Intercreditor Agreement they are claiming to "enforce" or its relevant terms. In order to fully understand the terms and context of the Intercreditor Agreement the following facts are necessary:

(i) The Intercreditor Agreement was originally executed when the Debtors began sponsoring Working Capital Notes in 2015.

Currently, the Intercreditor Agreement applies to the Series 2005 Bonds, and Working Capital Notes issued in 2015 and 2017.

(ii) In 2015, as now, VHS and five affiliates were members of an "Obligated Group" and, as parties to a Master Trust Indenture, had existing debt obligations with respect to the Series 2005 Bonds. Those debt obligations were secured by "Obligations" issued under the Master Trust Indenture with the same principal amounts and repayment terms as the repayment terms of the Series 2005 Bonds. The Obligations were (and are) secured by liens in favor of the Master Trustee on the Obligated Group members' accounts and on the real and personal property associated with the Debtors' six acute care hospital facilities (collectively, the "MTI Collateral").

(iii) The Debtors' capital structure was modified in 2015 when the Debtors first issued Working Capital Notes. As with the Series 2005 Bonds, the Debtors' debt obligations with respect to the Working Capital Notes are secured by Obligations issued under the Master Trust Indenture, and those Obligations are also secured by MTI Collateral. The liens associated with the Obligations specific to the Working Capital Notes (defined in the Intercreditor Agreement as "MTI Note Obligations") have the same priority as the liens associated with the Obligations specific to the Series 2005 Bonds. In addition, however, a subset of the MTI Collateral, namely accounts of the Obligated Group and the real and personal property associated with Saint Louise Regional Hospital and St. Francis Medical Center, two of the Debtors' six acute care hospital facilities (described in the documents as the "Notes Collateral"), were, under a separate set of instruments, pledged directly to the Note Trustee.[4] The Master Trust Indenture permits the Obligated Group to grant senior liens on certain of its property to creditors other than the Master Trustee, and the liens on the Notes Collateral were intended to fit into these terms. Liens on the Obligated Group's other hospital assets did not fit into the permitted lien "basket" under the Master Trust Indenture and were therefore not included in the senior lien Notes Collateral.

(iv) The Intercreditor Agreement exists solely for the purpose of acknowledging the priority position of the Note Trustee versus the Master Trustee in specified and limited assets of the Obligated Group. *See* Intercreditor Agreement Schedule C (describing Notes Collateral). It does not grant the Note Trustee priority on any Obligated Group assets not listed in the Intercreditor Agreement, and any such grant would have violated the permitted liens

[4] Certain additional real property was later pledged to the Note Trustee in connection with Working Capital Notes issued in 2017.

covenant of the Master Trust Indenture and would have permitted the Series 2005 Trustee to accelerate the Series 2005 Bonds and the Obligations.

(v) As mentioned, MTI Collateral that is not Notes Collateral includes, among other material assets, real and personal property of four of the Debtors' six acute care hospital facilities. The liens associated with the Series 2005 Bonds and the Working Capital Notes in this other MTI Collateral have equal rank and are not governed by the Intercreditor Agreement.

(vi) The Secured Parties carefully negotiated the terms of the priority lien on the St. Francis and Saint Louise hospital facilities under the Intercreditor Agreement. Those Series 2005 Bonds financed or refinanced portions of those two hospitals, and foreclosure or other transfer of those hospitals by the Note Trustee or the Obligated Group to owners not qualifying for tax-exempt bond financing could jeopardize the tax-exemption of the Series 2005 Bonds unless the sale proceeds realized from such transfer are applied to repay the Series 2005 Bonds. Accordingly, the Intercreditor Agreement includes specific "Remediation Provisions" that, notwithstanding the priority lien of the Notes Trustee on those two hospitals, provide up to approximately $65 million of any such proceeds would be applied, if required to preserve tax-exemption of the Series 2005 Bonds, to the repayment of the Series 2005 Bonds. *See Intercreditor Agreement* ¶ 5.

(vii) No Remediation Provisions were included in the Intercreditor Agreement relating to hospitals financed or refinanced by the Series 2005 Bonds other than St. Francis Medical Center and Saint Louise Regional Hospital. A senior lien to the Note Trustee on such other hospitals would have created the same need for remediation provisions to preserve the tax-exemption of the Series 2005 Bonds. However, because the Intercreditor Agreement did not and does not provide for a senior lien by the Note Trustee on such other hospitals, there was no need to negotiate remediation provisions for any such hospitals, and the Intercreditor Agreement includes none.

(viii) The senior lien granted by the Obligated Group on St. Francis Medical Center and Saint Louise Regional Hospital and reflected in the Intercreditor Agreement was and is specific to those two hospitals due to both Master Trust Indenture covenant constraints and tax constraints. The Obligated Group's hospitals were not and are not fungible for purposes of the Intercreditor Agreement, and the Intercreditor Agreement therefore includes no authorization by

> the Master Trustee of a priority replacement lien on other hospitals.

10. The Debtors and Note Trustee have cited Section 2.4 of the Intercreditor Agreement as the principal grounds for their argument.

11. Section 2.4 of the Intercreditor Agreement is an "anti-waiver provision" that protects the Note Trustee's interests should it take, or omit to take, certain actions under documents that are specific to the Working Capital Notes, or the Obligations that relate to the Working Capital Notes (i.e., the MTI Note Obligations). Section 2.4 provides:

> No action which the Note Trustee may take or omit to take in connection with any of the Note Documents or the MTI Note Obligations, any of the Notes, or any security therefor, and no course of dealing of the Note Trustee with any Obligor, the Master Trustee, or any other Person, shall release or diminish the Master Trustee's obligations, liabilities, agreements or duties hereunder, affect this Agreement in any way, or afford the Master Trustee any recourse against the Note Trustee, regardless of whether any such action or inaction may increase any risks to or liabilities of the Note Trustee, the Master Trustee or any Obligor or increase any risk to or diminish any safeguard of any security.

12. The balance of Section 2.4 of the Intercreditor Agreement lists specific actions which the Note Trustee may take, or omit to take, and yet remain within the safe harbor described in the introductory paragraph of Section 2.4 set forth above:

> Without limiting the foregoing, the Master Trustee hereby expressly agrees that the Note Trustee may, from time to time, without notice to or the consent of the Master Trustee:
>
> …
>
> (v) take, exchange, amend, eliminate, surrender, release, or subordinate any or all security for any or all of the obligations of the Obligors under the Note Documents or the MTI Note Obligations, accept additional or substituted security therefore, or perfect or fail to perfect the Note Trustee's rights in any or all security….

See Financing Motion Reply ¶ 26. These provisions focus solely on the Notes Trustee taking actions in connection with the Working Capital Notes, the MTI Note Obligations and the Note

Documents. These provisions provide no right of the Note Trustee to impact the rights of the Master Trustee with respect to the MTI Collateral in which the Note Trustee does not have a senior lien.

13. The Note Trustee's objection visibly rewrites the Intercreditor Agreement in a fashion that could understandably suggest that the Note Trustee's priority collateral is broader than it actually is. Paragraph 13 of the Note Trustee Financing Motion Response contains this remarkable statement:

> Note Collateral is an all-encompassing term used **in contrast to the more limited subset of Priority Assets, which are identified on Schedule C to the Intercreditor Agreement.** The term Note Collateral **refers to all of the collateral rights granted to the Notes Trustee under the relevant security documents.** *See* Intercreditor Agreement, ¶¶ A & 1(b). (Emphasis added)

14. There is in fact no ambiguity in the Intercreditor Agreement as to what "Note Collateral" means. Recital A of the Intercreditor Agreement states:

> All of the Corporation's Obligations (as defined in the Loan Agreements) are secured by liens on and security interests in certain property of the Corporation and the Obligors (the "Note Collateral") as set forth in Schedule C….

Schedule C, to the Intercreditor Agreement, in turn, states, in its entirety:

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SCHEDULE C

NOTE COLLATERAL

"Note Collateral" means:

(m) Accounts of:

St. Francis Medical Center
St. Vincent Medical Center
O'Connor Hospital
Saint Louise Regional Hospital
Seton Medical Center including Seton Coastside

(q) **Real property located at, and personal property located at, used in connection with or otherwise described in the St. Francis Deeds of Trust and Saint Louise Deed of Trust, respectively,** as to the following Property the aggregate Book Value of which Property secured by said Deeds of Trust and created or permitted to exist pursuant to clause (q) of the definition of Permitted Liens shall not exceed 20% of the aggregate Book Value of all Property of the Obligated Group:

St. Francis Medical Center

- 3630 East Imperial Highway, Lynwood, CA
- 2700 E. Slauson Avenue, Huntington Park, CA
- 5953 Atlantic Blvd., Maywood, CA (also known as 5931 and 5957 Atlantic Blvd., including surface parking)

Saint Louise Regional Hospital

- 9400 No Name Uno, Gilroy, CA

(emphasis added)

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15. The Intercreditor Agreement thus expressly defines and limits, not once but twice, "Note Collateral" to the assets set forth in Schedule C, which does not include hospitals other than St. Francis Medical Center and Saint Louise Regional Hospital. The Note Trustee's claim that "[t]he term Note Collateral refers to all of the collateral rights granted to the Notes Trustee under the relevant security documents" is incorrect. Once this premise is set aside, the Intercreditor Agreement quite simply says the opposite of what the Note Trustee claims it says.

B. Background relevant to the Debtors' access to alternative financing.

16. In addition to the issues the Secured Parties have already raised with the Financing Motion, a superior financing alternative has recently become available in these cases.

17. Certain institutional holders of the Series 2005 Bonds have provided loan terms to the Debtors for the same $185 million of debtor-in-possession financing amount that is contemplated by the DIP Facility.

18. This alternative financing would provide for the immediate repayment of the existing DIP Facility in full and provide debtor-in-possession financing to the Debtors from those holders, or certain affiliates of those holders, under better key economic terms than the DIP Lender has offered through the DIP Facility. The Debtors have received a draft Credit Agreement for this alternative financing, in the same form as the existing DIP Facility, but with fewer covenants, fewer events of default and terms otherwise structurally more beneficial to the Debtors. Additionally, this alternative facility avoids any adequate protection argument relating to valuation.

19. A substantial majority of the other substantive terms of this alternative loan, including the maturity date, security, financial and negative covenants, representations and warranties, events of default, reporting, and conditions of advances would be consistent with, if not identical to, the existing terms described in the Credit Agreement. These substantial similarities should streamline the implementation of this alternative loan.

III. SUPPLEMENTAL OBJECTIONS

A. The Secured Parties have not consented to the Financing Motion, including "priming" adequate protection liens.

20. The Court must reject the Debtors' and Note Trustee's attempts to establish the Secured Partie's "consent" to the Financing Motion. The Debtors' and Note Trustee's position would deprive the Secured Parties of the benefit of their parity lien on the MTI Collateral that is not Note Collateral and of their fundamental right to appear as parties in interest in these cases to preserve their collateral position versus other creditors.

21. Given the fundamental role creditor participation plays in the bankruptcy process, the Debtors and other parties seeking to enforce alleged waiver terms bear a heavy burden to show that the Secured Parties surrendered even a portion of their rights to challenge the Financing Motion. *See BOKF, N.A. v. JPMorgan Chase Bank, N.A. (In re MPM Silicones, LLC)*, 518 B.R. 740, 750 (Bankr. S.D.N.Y. 2014) (rejecting arguments that second position lenders violated intercreditor agreement); *In re Boston Generating, LLC*, 440 B.R. 302, 318-320

(Bankr. S.D.N.Y. 2010) (rejecting arguments that intercreditor agreement prevented second position lender from opposing sale process terms); cf. *Aurelius Capital Master, Ltd. v. Tousa Inc.*, 2009 U.S. Dist LEXIS 12735 (S.D. Fla. Feb. 5, 2009) (enforcing intercreditor agreement with specific language concerning the specific conduct at issue). For these same reasons, courts should not and do not interpret intercreditor terms in ways that re-draft or re-negotiate secured parties' bargained-for rights. *See Boston Generating*, 440 B.R. at 318-319.

22. Neither the Debtors nor the Note Trustee can meet their heavy burden of showing that the Secured Parties have negotiated away their consent rights. This is so for at least three reasons:

1. The cited Intercreditor Agreement terms are anti-waiver terms to assure the Note Trustee that it will not lose the benefit of its lien status in Notes Collateral if the Note Trustee takes (or fails to take) specified actions.

23. The Debtors' and Note Trustee's attempt to mischaracterize Section 2.4 of the Intercreditor Agreement does not form any basis to find that the Secured Parties have consented to the Financing Motion. As noted above, Section 2.4 of the Intercreditor Agreement exists to protect the Note Trustee against arguments that action or inaction by the Note Trustee has impaired its lien priority in Notes Collateral. These features are common in lending relationships and similar anti-waiver terms are commonly found in loan documents, guaranty agreements and other loan instruments. But they play no role in delegating authority to the Note Trustee, the Secured Parties, or others, to approve or disapprove the terms of the Financing Motion or any relief thereon.

24. The entire context of Section 2.4 involves actions that the Note Trustee may take with respect to the Note Documents or the MTI Note Obligations without impacting the lien priority the Note Trustee has in Notes Collateral pursuant to the Intercreditor Agreement. That is what the language of Section 2.4 actually says. There is nothing in Section 2.4 that remotely suggests Section 2.4 confers upon the Notes Trustee affirmative authority to consent on behalf

of the Master Trustee to the subordination of the Master Trustee's liens against collateral that does not constitute Notes Collateral under the Intercreditor Agreement. Section 2.4 is a shield that protects the Note Trustee from losing its priority on the Notes Collateral only; there is no basis in text or logic for the Debtors' attempt to convert it into a sword effectively allowing the Notes Trustee to claim a senior lien on collateral outside of the Notes Collateral.

25. The Debtors' and Note Trustee's construction of these intercreditor terms would effectively rewrite the Intercreditor Agreement, converting them from anti-waiver terms that protect the Note Trustee into affirmative rights the Note Trustee can exercise to the Master Trustee's detriment. Case law forbids this outcome. *See Boston Generating, supra.*

2. Waivers of lender rights require highly specific language. The generic cited Intercreditor Agreement terms do not meet this standard.

26. The Debtors' and Note Trustee's arguments fail given that if the intent of the Intercreditor Agreement was that the Note Trustee could exercise all consent rights over the MTI Collateral and over the objection of the Master Trustee such intent must be expressly stated under the contractual agreement between the parties, i.e., the Intercreditor Agreement.

27. Recent decisions involving intercreditor disputes have consistently found that waivers of secured creditor rights under intercreditor or similar instruments must be highly specific. *See, e.g., MPM Silicones*, 518 B.R. at 750 (the waiver must be clear beyond peradventure); *Boston Generating*, 440 B.R. at 319 (same).

28. The *Boston Generating* decision, for example, reflects the analysis that applies when, as is the case here, the intercreditor language involves only generic concepts. In *Boston Generating*, the court addressed claims that an intercreditor agreement prevented second lien lenders from objecting to a section 363 sale. The intercreditor agreement there provided that until certain first lien obligations were discharged, the first lien lenders would maintain the exclusive right to "enforce rights, exercise remedies…and make determinations regarding the release, sale, disposition or restrictions with respect to the Collateral" without consultation with

or consent of second lien creditors. *Boston Generating*, 440 B.R. at 316. The agreement, however, did not specifically address the parties' respective rights in the face of a Bankruptcy Code section 363 sale. The *Boston Generating* court refused arguments that the agreement's more generic terms prevented second lien lenders from objecting to the section 363 sale. The court did so given "the absence of an explicit prohibition against filing a 363 sale objection." *Id.* at 320.

29. The generic intercreditor terms here stand in marked contrast to the specificity found in intercreditor agreements that *do* deal with cash collateral and debtor-in-possession financing rights. The American Bar Association's Model Intercreditor Agreement (the "ABA Model Intercreditor"), for example, includes very specific terms on these issues. *See* Report of the Model First Lien / Second Lien Intercreditor Agreement Task Force, 65 Bus. Law. 809 (2010). In section 6.1, the ABA Model Intercreditor contains an express waiver of the right to object to debtor-in-possession financing or the use of cash collateral. It states:

> Until the Discharge of First Lien Obligations up to the First Lien Cap with respect to the Capped Obligations and in their entirety with respect to First Lien Obligations that are not Capped Obligations, if an Insolvency Proceeding has commenced, Second Lien Agent, as holder of a Lien on the Collateral, will not contest, protest, or object to, and each Second Lien Claimholder will be deemed to have consented to, (1) any use, sale, or lease of "cash collateral" (as defined in section 363(a) of the Bankruptcy Code), and (2) Borrower or any other Grantor obtaining DIP Financing if First Lien Agent consents in writing to such use, sale, or lease, or DIP Financing.

See 65 Bus. Law. at 827-828. It should be unsurprising that the cited Intercreditor Agreement language bears little comparison to these specifically drawn terms given the actual purpose of Section 2.4 described above.

30. The generically drafted intercreditor language here is likewise quite different than agreements courts have upheld as lender waivers. In *Tousa*, for example, first lien lenders agreed to the debtors' use of cash collateral, and second lien lenders objected on the ground

they were not adequately protected. The first lien lenders challenged the second lien lenders' ability to make these objections based on the following intercreditor terms:

> If any Credit Party becomes subject to any Insolvency Proceeding and if the First Priority Representative desires to contest (or not object) to the …use… of cash or other collateral under the Bankruptcy Code… then the Second Lien Term Loan Agent agrees…that each Second Priority Secured Party (I) will be deemed to have consented to … the…use… of such cash or other collateral… [and] (II) will not request or accept any form of adequate protection or any relief in connection with the … use… of such cash.

2009 U.S. Dist LEXIS 12735 at *16-17. In *Tousa*, the lenders' objection fell squarely within the waiver set forth in the intercreditor agreement and the agreement terms were therefore enforced.

31. None of the cited language from the Intercreditor Agreement even approaches the specificity found in the ABA Model Intercreditor or in the agreement described in the *Tousa* decision. The cited terms in fact do not mention adequate protection, debtor-in-possession financing or Sections 363 or 364 of the Bankruptcy Code. The Debtors' effort amounts to the proverbial effort to drive a square peg into a round hole. Far more is required to silence the Secured Parties on these issues.

3. Construing the cited Intercreditor Agreement terms as the Debtors and Note Trustee suggest would make the Intercreditor Agreement meaningless.

32. Finally, any construction of the Intercreditor Agreement as the Debtors and Note Trustee suggest would make the Intercreditor Agreement meaningless.

33. As set forth above, the Note Trustee's priority liens are limited to only a portion of the MTI Collateral, and do not apply to, *inter alia*, four of the Debtors' six hospitals. Given this structure, there is no reasoned basis to allow the Note Trustee to speak for MTI Collateral that is not subject to the Note Trustee's priority liens. None of the cited provisions even

reference or relate to the Series 2005 Bonds, Obligations associated with the Series 2005 Bonds, or related MTI Collateral. *See* Intercreditor Agreement ¶ 2.4.

34. The Debtors' and Note Trustee's position would necessarily mean that despite the fact that the parties negotiated an Intercreditor Agreement that carefully delineated specific collateral on which the Note Trustee holds a senior lien, and allocations of proceeds of foreclosure or sale of specific collateral to preserve the tax-exemption of the Series 2005 Bonds the Note Trustee could unilaterally and without any further consent by, or over the objections of the Secured Parties, approve a further lien granting itself a senior lien over the MTI Collateral. That is precisely the argument the Debtors are making when they claim that this language "appears" to constitute consent by the Secured Parties to being bound by the "consent" of the Note Trustees to being awarded, under the Debtors' proposed Final DIP Order, a priming replacement lien on Secured Party collateral that not Notes Collateral. The argument is not only outside the terms of the agreement but is beyond the logic underlying the terms of the agreement.

B. There is a DIP Facility alternative.

35. Finally, the Court should deny the entry of a Final Order on the Financing Motion since the Debtors have access to debtor-in-possession financing on more favorable terms.

36. Courts asked to approve debtor-in-possession financing routinely inquire whether more favorable financing alternatives are available. *See, e.g., In re Phase-I Molecular Toxicology*, 285 B.R. 494, 495 (Bankr. D.N.M. 2002).

37. This inquiry is made because the Debtors must show their inability to obtain financing from other lenders on more favorable terms than the terms they are pursuing through the Financing Motion. *See* 11 U.S.C. §§ 364(c) and (d)(1); *SunTrust Bank v. Den-Mark Constr., Inc.*, 406 B.R. 683, 691 (E.D.N.C. 2009) (finding that record was not clear that debtors there met their statutory burden).

38. This is also necessary since the Debtors must establish that the terms of the DIP Facility are fair, reasonable and adequate given the circumstances of the Debtors and DIP Lender and since courts approve debtor-in-possession financing only where it "is in the best interest of the general creditor body." *See In re Roblin Indus., Inc.*, 52 B.R. 241, 244 (Bankr. W.D.N.Y. 1985); *In re Los Angeles Dodgers LLC*, 457 B.R. 308, 312 (Bankr. D. Del. 2011).

39. Given the emergence of the competing debtor-in-possession financing alternative on terms that are more advantageous to the Debtors (and therefore to creditors and other stakeholders), it is in the best interest of the general creditor body for the Court to deny the entry of a Final Order at this time.

40. A substantial majority of the substantive terms of this alternative loan would be consistent with, if not identical to, the existing terms described in the Credit Agreement. These substantial similarities should streamline the implementation of this alternative loan. Indeed, the terms under the alternative proposal are much more beneficial in the context of covenants, events of default and structure.

IV. INCORPORATION OF EXISTING FINANCING MOTION OBJECTION

The Secured Parties incorporate by this reference all terms of their "*Objection to 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"* [Docket No. 292] as if fully set forth herein.

V. RESERVATION OF RIGHTS

The Secured Parties will necessarily evaluate any other objections or other responses to the Financing Motion, whether in opposition to or in further support of the Financing Motion. The relief sought in other objections or submissions could require further response. For the avoidance of doubt, and for the foregoing reasons, the Secured Parties reserve all rights to file further objections to the Financing Motion, make related arguments, and introduce testimony and other evidence at any hearing in connection with the Financing Motion on any matters that

may be relevant to the requested relief, whether or not those issues are described herein.

WHEREFORE, the Secured Parties respectfully request that the Court: (i) deny any aspect of the Financing Motion that forms the basis for the objections stated herein; (ii) condition further relief on the Financing Motion on terms consistent with the foregoing terms; (iii) modify any Final Order in accordance with the objections stated herein; and (iv) grant such further relief as the Court deems appropriate.

Dated: October 2, 2018

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

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

and

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

Attorneys for

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

EXHIBIT A



RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

CHICAGO TITLE COMPANY
COMMERCIAL DIVISION

Attn: Catrina C. Cohn, Esq.
Squire Patton Boggs (US) LLP
275 Battery St., Suite 2600
San Francisco, CA 94111

SPACE ABOVE THIS LINE FOR RECORDER'S USE

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

3

SECOND AMENDED AND RESTATED INTERCREDITOR AGREEMENT

THIS SECOND AMENDED AND RESTATED **INTERCREDITOR AGREEMENT** (this "***Agreement***") entered into as of December 1, 2017 amends and restates the Amended and Restated Intercreditor Agreement, dated as of September 1, 2017, recorded in Los Angeles County as Instrument Number 20171060070 on September 18, 2017 at 8:00 a.m. (the "First Amended and Restated Intercreditor Agreement"), which amended and restated the Intercreditor Agreement, dated as of December 1, 2015 recorded in Los Angeles County as Instrument Number 20151573372 on December 15, 2015 at 8:00 a.m. and recorded in Santa Clara County as Instrument Number 23173258 on December 16, 2015 at 8:00 a.m., by and among Verity Health System of California, Inc., a nonprofit public benefit corporation incorporated under the laws of the State of California ("the "***Corporation***"), on behalf of itself and each Obligated Group Member listed on the attached **Schedule A** (each, an "***Obligor***" and collectively, the "***Obligors***"), U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (together with any successor thereto in any such capacity, the "***Note Trustee***") under (i) the Indentures, dated as of December 1, 2015 (as they may be supplemented and amended in accordance with their terms, the "***2015 Indentures***") with respect to the 2015 Notes (as defined below), (ii) the Indenture, dated as of September 1, 2017 (as it may be supplemented and amended in accordance with its terms, the "***2017 Indenture***"), with respect to the 2017 Notes (defined below), and (iii) the Indenture, dated as of December 1, 2017 (as it may be supplemented and amended in accordance with its terms, the "***2017B Indenture***" and, together with the 2015 Indentures and the 2017 Indenture, the "***Note Indentures***") with respect to the 2017B Notes (as defined below), each between the Note Trustee and the California Public Finance Authority (the "***Authority***"), and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as master trustee (together with its successors in such capacity, the "***Master Trustee***") pursuant to the Master Indenture of Trust, dated as of December 1, 2001 (as supplemented and amended in accordance with its terms, the "***Master Indenture***"), between the Corporation, the Initial Members (as defined therein) and the Master Trustee.

RECITALS

A. The Authority and the Corporation have entered into four Loan Agreements as identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2015 Loan Agreements***") with respect to the Series 2015A Notes in the original principal amount of $60 Million (the "***2015A Notes***"), the Series 2015B Notes in the original principal amount of $45 Million (the "***2015B Notes***"), the Series 2015C Notes in the original principal amount of $10 Million (the "***2015C Notes***"), and the Series 2015D Notes in the original principal amount of $45 Million (the "***2015D Notes***", and collectively, the "***2015 Notes***") and one Loan Agreement as identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2017 Loan Agreement***") with respect to the Series 2017 Notes in the original principal amount of $21 Million (the "***2017 Notes***") and are expected to enter into one Loan Agreement identified on the attached **Schedule B** (as the same may be amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder, the "***2017B Loan Agreement***" and, together with the 2015 Loan Agreements and 2017 Loan Agreement, the "***Loan Agreements***") with respect to the 2017B Notes in the original

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principal amount of $21 Million (the **"*2017B Notes*"** and, together with the 2015 Notes and the 2017 Notes, the ***"Notes"***), pursuant to which, among other things, the Authority has made or has agreed to make, subject to the terms and conditions set forth in the Loan Agreements, loans and financial accommodations to the Corporation to be used for refinancing, working capital and other purposes for each Obligor and certain affiliates. All of the Corporation's Obligations (as defined in the Loan Agreements) are secured by liens on and security interests in certain property of the Corporation and the Obligors (the **"*Note Collateral*"**) as set forth in **Schedule C**, and are further secured by certain obligations (the **"*MTI Note Obligations*"**) issued under the Master Indenture pursuant to the Supplemental Master Indentures for the MTI Note Obligations as set forth in **Schedule D**.

B. The Obligors listed in **Schedule C** entered into Security Agreements with the Note Trustee, dated as of December 14, 2015 in connection with the 2015 Notes and amended and restated those Security Agreements, dated as of September 1, 2017 in connection with, and to include, the 2017 Notes, and amended and restated those Security Agreements, dated as of December 1, 2017 in connection with, and to include, the 2017B Notes (as the same may be amended, restated, supplemented or otherwise modified from time to time as permitted hereunder, the **"*Security Agreements*"**) as set forth in **Schedule E**. All of the Corporation's obligations pursuant to the Loan Agreements are secured by the accounts receivable of the Obligors listed on **Schedule C**.

C. The Corporation, on behalf of each of St. Francis Medical Center and Saint Louise Regional Hospital have executed and delivered the St. Francis Deeds of Trust and the Saint Louise Deed of Trust, respectively, on certain of their respective real and personal property as set forth in **Schedule C** and have delivered to the Note Trustee Subordination Agreements executed by the Master Trustee relating to the Master Trustee's liens on such real and personal property. All of the Corporation's obligations pursuant to the Loan Agreements are secured by these Deeds of Trust on a senior lien basis in accordance with the related Subordination Agreements.

D. The Note Collateral (as defined in **Schedule C**) was granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2015 Loan Agreements. The purchasers of the 2015 Notes (the **"*2015 Holders*"**) required the execution and delivery of the Original Agreement by the Master Trustee, the 2015 Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee and Master Trustee under the 2015 Note Documents (as defined below) and the Master Indenture.

E. The Note Collateral (as defined in **Schedule C**) was granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2017 Loan Agreement. The purchasers of the 2017 Notes (the ***"2017 Holders"***) required the execution and delivery of the First Amended and Restated Intercreditor Agreement by the Master Trustee, the Note Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee, as trustee for the holders of the 2015 Notes and the 2017 Notes, and Master Trustee under the Note Documents (as defined below) and the Master Indenture.

F. The Note Collateral (as defined in **Schedule C**) is granted as an inducement to and as one of the conditions precedent to the agreement of the Corporation and the Authority to consummate the transactions contemplated by the 2017B Loan Agreement. The purchasers of the 2017B Notes (the ***"2017B Holders"*** and, together with the 2015 Holders and the 2017 Holders, the ***"Note Holders"***) required the execution and delivery of this Agreement by the Master Trustee, the Note Trustee and the Obligors in order to set forth the relative rights and priorities of the Note Trustee, as trustees for the holders of the 2015 Notes, the 2017 Notes and the 2017B Notes, and Master Trustee under the Note Documents (as defined below) and the Master Indenture.

G. The 2015 MTI Obligations have been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2015 Trustee for the benefit of the 2015 Holders as additional security for the obligations of the Corporation under the 2015 Loan Agreements; the 2017 MTI Obligation has been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2017 Trustee for the benefit of the 2017 Holders as additional security for the obligations of the Corporation under the 2017 Loan Agreement; and the 2017B MTI Obligation has been executed by the Corporation, authenticated by the Master Trustee and delivered to the 2017B Trustee for the benefit of the 2017B Holders as additional security for the obligations of the Corporation under the 2017B Loan Agreement. Pursuant to the MTI Note Obligations and the Master Indenture, the MTI Note Obligations are secured under the Master Indenture on equal rank without preference, priority or distinction of any Obligation issued under the Master Indenture over any other such Obligations (the ***"MTI Collateral"***). The MTI Collateral includes a pledge of the Gross Revenues (as defined in the Master Indenture) of the Obligated Group which includes accounts receivable.

H. Pursuant to Section 5.01(B) of each of the 2015 Indenture and the 2017 Indenture, the Authority has assigned to the 2015 Trustee or 2017 Trustee, as applicable, for the benefit of the Holders from time to time of the respective Notes, its security interest in the Note Collateral which has been pledged to the Authority to support the obligations of the Corporation in the 2015 Loan Agreements and the 2017 Loan Agreement, as applicable.

I. As of the issuance of the 2017B Notes, the Obligations Outstanding under the Master Indenture secure the repayment of: (i) the 2005A Bonds in the outstanding principal amount of $246,345,000, the 2005G Bonds in the outstanding principal amount of $10,855,000, the 2005H Bonds in the outstanding principal amount of $8,985,000 (total outstanding principal amount of 2005 Bonds is $266,185,000) (collectively, the "2005 Bonds"), (ii) the 2015 Notes, (iii) the 2017 Notes, and (iv) the 2017B Notes.

J. The 2005 Bonds are subject, under certain circumstances, to certain Remediation Requirements pursuant to the provisions of the Internal Revenue Code as indicated in the Tax Certificates for the 2005 Bonds. In the event of an action which results in the need for a remediation of certain outstanding 2005 Bonds, the Authority or the Corporation will seek an opinion of Nationally Recognized Bond Counsel as to what application of the amount of proceeds of any sale or disposition of the applicable property financed by the 2005 Bonds is required in connection with the applicable change in use of any bond financed property. The 2005 Bonds are callable at par as of July 1, 2015.

K. The Master Indenture contains certain covenants as to Additional Indebtedness (Sec 3.05) and Against Encumbrances (Sec 3.04).

L. The 2015 Notes and the 2017 Notes were, and the 2017B Notes are, issued as Additional Indebtedness in accordance with the provisions of Sec 3.05(d) of the Master Indenture as certified by the Chief Financial Officer of the Corporation.

M. The liens supporting the 2015 Notes and the 2017 Notes were, and the liens supporting the 2017B Notes are, granted as Permitted Liens: 1) pursuant to subsection (m) of the defined term Permitted Liens as to the grant of liens on accounts receivable as certified by the Vice President and Treasurer of the Corporation; and 2) pursuant to subsection (q) of the defined term Permitted Liens as to the Deeds of Trust and the security interest in the Property related thereto as certified by the Vice President and Treasurer of the Corporation.

N. Pursuant to Section 3.04(d) of the Master Indenture, the Master Trustee is directed to execute and deliver a reasonably requested subordination in connection with the grant of a Permitted Lien.

NOW, THEREFORE, in order to induce the 2017B Holders to purchase the 2017B Notes and the Note Trustee and the Authority to consummate the transactions contemplated by the 2017B Loan Agreement, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

(a) As used herein, capitalized terms shall have the meanings given to them in the Loan Agreements, the Indentures, the Master Indenture, the Security Agreements, the Deeds of Trust and the Subordination Agreements executed in connection with the Deeds of Trust, except as otherwise defined herein or as the context otherwise requires.

(b) Any term used in the Uniform Commercial Code as adopted in the State of California, as it may hereafter be amended (***"UCC"***) and not defined in this Agreement or in the documents set forth in subsection (a) above has the meaning given to the term in the UCC.

"Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time, and any successor statute and all rules and regulations promulgated thereunder.

"Deeds of Trust" means, collectively, the St. Francis Deeds of Trust and the Saint Louise Deed of Trust.

"Lien" means any lien, security interest, pledge, bailment, mortgage, hypothecation, deed of trust, conditional sales and title retention agreement (including any lease in the nature thereof), charge, encumbrance or other similar arrangement or interest in real or personal property, now owned or hereafter acquired, whether such interest is based on common law, statute or contract.

"***Nationally Recognized Bond Counsel***" means Squire Patton Boggs (US) LLP or any other bond counsel firm with a national reputation for delivering opinions with respect to the tax-exemption of interest on municipal bonds for federal income tax purposes that is retained by the Corporation or the Authority for the purpose of rendering an opinion as to Remediation Requirements.

"***Note Documents***" means, collectively, the 2015 Note Documents, the 2017 Note Documents and the 2017B Note Documents, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"***Person***" means any natural person, corporation, general or limited partnership, limited liability company, firm, trust, association, government, governmental agency or other entity, whether acting in an individual, fiduciary or other capacity.

"***Priority Assets***" means the assets constituting the Note Collateral identified on **Schedule C** hereto.

"***Priority Lien***" means the Lien on the Priority Assets.

"***Proceeding***" means any voluntary or involuntary insolvency, bankruptcy, receivership, custodianship, liquidation, dissolution, reorganization, assignment for the benefit of creditors, appointment of a custodian, receiver, trustee or other officer with similar powers or any other proceeding for the liquidation, dissolution or other winding up of a Person.

"***Remediation Requirements***" mean those certain requirements for remediation of the 2005 Bonds to the extent arising from the ownership or use of Priority Assets financed or refinanced with proceeds of the 2005 Bonds, as set forth in the Tax Certificates executed in connection with the 2005 Bonds and as to any specific instance addressed in the opinion of Nationally Recognized Bond Counsel.

"St. Francis Deeds of Trust" means (a) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 3630 East Imperial Highway, Lynwood, California, dated as of December 28, 2017, executed by the Corporation on behalf of St. Francis Medical Center, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof; (b) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 2700 E. Slauson Avenue, Huntington Park, California, dated as of December 28, 2017, executed by the Corporation, on behalf of St. Francis Medical Center, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof; and (c) that certain Second Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 5953 Atlantic Blvd. (also known as 5931 and 5957 Atlantic Blvd, including surface parking), Maywood, California, dated as of December 28, 2017, executed by the Corporation, on behalf of St. Francis Medical Center, as trustor, in favor

of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Saint Louise Deed of Trust" means that certain Amended and Restated Deed of Trust With Fixture Filing and Security Agreement relating to 9400 No Name Uno, Gilroy, California, dated as of December 28, 2017, executed by the Corporation on behalf of Saint Louise Regional Hospital, as trustor, in favor of Chicago Title Company, as trustee for the benefit of each trustee for the Notes, as trustee for the holders of the Notes, as beneficiaries, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"2015 Note Documents" means the 2015 Notes, the 2015 Loan Agreements, the 2015 Indentures, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"2017 Note Documents" means the 2017 Notes, the 2017 Loan Agreement, the 2017 Indenture, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"2017B Note Documents" means the 2017B Notes, the 2017B Loan Agreement, the 2017B Indenture, the Security Agreements, the Deeds of Trust, the Subordination Agreements executed in connection with the Deeds of Trust, this Agreement, and all other agreements, documents and instruments executed from time to time in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

2. Subordination.

2.1 **Subordination of Master Trustee's Lien to Priority Lien**. Each Party covenants and agrees, and the Master Trustee covenants and agrees, notwithstanding anything to the contrary contained in the Master Indenture or any of the documents related to the Master Indenture or as a matter of law, that in or outside of any Proceeding any Lien of the Master Trustee with respect to the property constituting Priority Assets shall be and is hereby expressly made subordinate, to the extent and in the manner hereinafter set forth, to the Lien of the Note Trustee in such Priority Assets (whether or not such Lien of the Note Trustee is a perfected Lien). Irrespective of the timing of such acquisition, each Note Holder shall be deemed to have acquired its Notes in reliance upon the provisions contained in this Agreement. Each Party, including the Note Trustee, covenants and agrees that notwithstanding the Priority Lien in the Priority Assets granted to the Note Trustee, the application of amounts subject to such Priority Lien shall be subject to the Remediation Requirements as set forth herein, and each Party, including the Master Trustee, covenants and agrees that the existence of the Remediation Requirements and the provisions hereof with respect thereto shall not in any manner affect the existence of a first Priority Lien to the Note Trustee in the Priority Assets and that any proceeds

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of the Priority Assets or the Note Collateral that, in accordance with the terms hereof, are applied to the Remediation Requirements shall not be deemed to have been applied to or reduce in any manner the payment obligations of the Corporation or the Obligors under the Note Documents or the MTI Note Obligations. Without limiting the foregoing, notwithstanding the date, time, manner or order of grant, attachment or perfection of any Liens and security interests of the Master Trustee in the Note Collateral, until the principal of, interest on and premium, if any, on the Notes have been indefeasibly paid in full in cash, any Liens and security interests of the Master Trustee in the Note Collateral which may exist from time to time (whether the same exist on the date hereof or otherwise) shall be and hereby are subordinated for all purposes and in all respects to the Priority Liens and security interests of the Note Trustee in the Note Collateral.

2.2 **Incorrect Payments**. In the event that, notwithstanding the provisions of this Agreement, the Master Trustee receives any payment of any kind or character, whether in cash, property, or securities, in violation of the terms of this Agreement, such payment shall be delivered forthwith to the Note Trustee for application to the payment of the 2015 Notes, 2017 Notes or 2017B Notes, as applicable, to the extent necessary to pay or defease all 2015 Notes, 2017 Notes or 2017B Notes, as applicable, in full or otherwise held or applied pursuant to this Agreement. The Note Trustee is irrevocably authorized and appointed attorney-in-fact for the Master Trustee to supply any required endorsement or assignment. Until so delivered, any such payment or collateral shall be held by the Master Trustee in trust for the Note Trustee and shall not be commingled with other funds or property of the Master Trustee.

2.3 **No Contest of Priority Liens and Security Interests**. The Master Trustee, on behalf of itself and the Holders of all outstanding Obligations under the Master Indenture, agrees that it will not, and will not cause or support any other Person to, at any time contest, seek to avoid or subordinate the validity, perfection, priority, extent or enforceability of the Notes, the Note Documents, this Agreement or any Liens and security interests of the Note Trustee in the Note Collateral securing the Notes.

2.4 **Unconditional Subordination**. No action which the Note Trustee may take or omit to take in connection with any of the Note Documents or the MTI Note Obligations, any of the Notes, or any security therefor, and no course of dealing of the Note Trustee with any Obligor, the Master Trustee, or any other Person, shall release or diminish the Master Trustee's obligations, liabilities, agreements or duties hereunder, affect this Agreement in any way, or afford the Master Trustee any recourse against the Note Trustee, regardless of whether any such action or inaction may increase any risks to or liabilities of the Note Trustee, the Master Trustee or any Obligor or increase any risk to or diminish any safeguard of any security. Without limiting the foregoing, the Master Trustee hereby expressly agrees that the Note Trustee may, from time to time, without notice to or the consent of the Master Trustee:

i. amend, change or modify, in whole or in part, any one or more of the Note Documents and give or refuse to give any waivers or other indulgences with respect thereto;

ii. neglect, delay, fail, or refuse to take or prosecute any action for the collection or enforcement of any of the obligations of the Obligors under the Note Documents or the MTI Note Obligations, to (i) foreclose or take or prosecute any action in connection with the Note

Documents, (ii) bring suit against an Obligor or any other Person, or (iii) take any other action concerning the Notes, the Note Documents or the MTI Note Obligations;

iii. accelerate, change, rearrange, extend, or renew the time, terms, or manner for payment or performance of any one or more of the obligations of the Obligors under the Note Documents or the MTI Note Obligations;

iv. compromise or settle any unpaid or unperformed obligations of the Obligors under the Note Documents or the MTI Note Obligations;

v. take, exchange, amend, eliminate, surrender, release, or subordinate any or all security for any or all of the obligations of the Obligors under the Note Documents or the MTI Note Obligations, accept additional or substituted security therefor, or perfect or fail to perfect the Note Trustee's rights in any or all security;

vi. discharge, release, substitute or add obligors with respect to the obligations of the Obligors under the Note Documents or the MTI Note Obligations; and

vii. apply all monies received from the Authority, the Obligors or others, or from any security for any of the Note Documents, as the Note Trustee may determine to be in its best interest, without in any way being required to apply all or any part of such monies upon any particular Notes.

No change of law or circumstances shall release or diminish the Master Trustee's obligations, liabilities, agreements, or duties hereunder, affect this Agreement in any way, or afford the Master Trustee any recourse against the Note Trustee. Without limiting the foregoing, no obligations, liabilities, agreements, or duties of the Master Trustee under this Agreement shall be released, diminished, impaired, reduced, or affected by the occurrence of any of the following from time to time, even if occurring without notice to or without the consent of the Master Trustee:

i. any Proceeding or any discharge, impairment, modification, release, or limitation of the liability of, or stay of actions or lien enforcement proceedings against, any properties of any Obligor, or the estate in bankruptcy of any Obligor in the course of or resulting from any such Proceedings;

ii. the failure by the Note Trustee to file or enforce a claim in any Proceeding described in the immediately preceding clause (i) or to take any other action in any Proceeding to which any Obligor is a party;

iii. the release by operation of law of any Obligor from any of its obligations under the Note Documents or the MTI Note Obligations or any other obligations to the Note Trustee;

iv. the invalidity, deficiency, illegality, or unenforceability of any of the Note Documents or the obligations of the Obligors under the Note Documents or the MTI Note Obligations, in whole or in part, any bar by any statute of limitations or other law of recovery on any of the obligations of the Obligors under the Note Documents or the MTI Note Obligations,

or any defense or excuse for failure to perform on account of force majeure, act of God, casualty, impossibility, impracticability, or other defense or excuse whatsoever;

v. the failure of the Note Trustee or any other Person to sign any instrument or agreement; and

vi. without limiting any of the foregoing, any fact or event (whether or not similar to any of the foregoing) which in the absence of this provision would or might constitute or afford a legal or equitable discharge or release of or defense other than the actual payment of the obligations of the Obligors under the Note Documents or the MTI Note Obligations and the performance by the Master Trustee under this Agreement.

2.5 **Requirement of Notice**. The Master Trustee agrees to notify the Note Trustee promptly upon obtaining knowledge of the happening of any of the following: (i) the occurrence of any default or event of default under the Master Indenture; (ii) the waiver by the Master Trustee of any default or event of default under the Master Indenture; or (iii) the exercise of any remedies under the Master Indenture. The Note Trustee agrees to notify the Master Trustee promptly upon obtaining knowledge of the happening of any of the following: (i) the occurrence of any event of default under any of the Note Documents; (ii) the waiver by the Note Trustee of any event of default under any of the Note Documents; or (iii) the exercise of any remedies under the Note Documents. Failure to provide any notice required hereby shall not affect the subordination of the Master Trustee's Lien in the Priority Assets effected hereby.

3. Intercreditor Provisions.

3.1 **Marshaling and Similar Rights**. In foreclosing or realizing on any Priority Assets, the Note Trustee may proceed in any manner and in any order which the Note Trustee, in its sole discretion, shall choose, even though a higher price might have been realized if the Note Trustee had proceeded to foreclose or realize on its security interests in another manner or order. The Note Trustee shall not be required to marshal its claims against one or more assets securing the Notes.

3.2 **Rights of Note Trustee under the MTI Note Obligations**. The Note Trustee is the holder of MTI Note Obligations for all Notes and is entitled to enforce payment and performance of the MTI Note Obligations and to exercise all rights and powers given to it under any of the Note Documents.

3.3 **Specific Performance**. The Note Trustee is hereby authorized to demand specific performance of this Agreement at any time when the Master Trustee shall have failed to comply with any provision hereof. The Master Trustee hereby irrevocably waives any defenses based on the adequacy of a remedy at law which might be asserted as a bar to the action of the Note Trustee.

3.4 **No Duties**. The Master Trustee hereby agrees that (i) the Note Trustee shall not have any responsibility or duty to the Master Trustee with respect to any of the Priority Assets except for such duties as are imposed by law and which cannot be waived by agreement, and (ii) the Note Trustee shall be free to take or omit to take any and all such action with respect

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to the Priority Assets as it may so choose, without consent by the Master Trustee and without regard to or consideration of the interests of the Master Trustee or the holders of the 2005 Bonds.

4. Representations and Warranties.

4.1 **Representations and Warranties of Master Trustee**. The Master Trustee hereby represents and warrants to the Note Trustee that (a) it is a duly formed and validly existing national bank; (b) it has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (c) the execution of this Agreement by it will not violate or conflict with its organizational documents, the Master Indenture or any other material agreement binding upon it or any law, regulation or order or require any consent or approval which has not been obtained; and (d) this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles.

4.2 **Representations and Warranties of the Note Trustee**. The Note Trustee hereby represents and warrants to the Master Trustee that as of the date hereof: (a) it is a duly formed and validly existing national bank; (b) it has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (c) the execution of this Agreement by it will not violate or conflict with its organizational documents, any material agreement binding upon it or any law, regulation or order or require any consent or approval which has not been obtained; and (d) this Agreement is the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles.

5. Remediation Requirements. The Corporation and the Obligors hereby represent that (i) in the event of foreclosure, deed in lieu of foreclosure or other disposition or transfer of the St. Francis Medical Center property located at 3630 East Imperial Highway, Lynwood, CA to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3) using the applicable property in a manner that does not constitute unrelated business use, or private use, the amount of proceeds that may be required to be applied pursuant to the Remediation Requirements for the principal amount of the 2005 Bonds shall not exceed $68,000,000 plus outstanding interest on such allocable 2005 Bonds as of the date of Remediation, (ii) in the event of foreclosure, deed in lieu of foreclosure or other disposition or transfer of the Saint Louise Regional Hospital property located at 9400 No Name Uno, Gilroy, CA to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3), using the applicable property in a manner that does not constitute unrelated business use, or private use, the maximum amount of proceeds that may be required to be applied pursuant to the Remediation Requirements for the principal amount of the 2005 Bonds shall not exceed $5,500,000 plus outstanding interest on such allocable 2005 Bonds as of the date of Remediation, and (iii) there are no Remediation Requirements with respect to the properties located at 2700 E. Slauson Avenue, Huntington Park, CA and 5957 Atlantic Blvd., Maywood, CA. In the event of a foreclosure, deed in lieu of foreclosure or other disposition or transfer

described in clauses (i) or (ii) of the preceding sentence, the actual amount required to be applied to Remediation Requirements shall be as set forth in an opinion of Nationally Recognized Bond Counsel addressed to the Trustee for the 2005 Bonds (the "2005 Trustee") and the Note Trustee, but shall not exceed the maximum amounts set forth in the preceding sentence. Until the date of receipt by the 2005 Trustee and the Note Trustee of such an opinion setting forth the amount required to be applied to Remediation Requirements in the event the Note Trustee receives cash proceeds from such event or transaction, the Note Trustee agrees to segregate the lesser of such cash proceeds received under (i) or (ii), as applicable, or the amount referenced in clause (i) or (ii) above, as applicable (as applicable, the "***Potential Remediation Amounts***") and not to apply any Potential Remediation Amounts to the payment of the Notes or for any other purpose. Upon receipt of an opinion of Nationally Recognized Bond Counsel addressed to the 2005 Trustee and the Note Trustee stating that a specified amount of a Potential Remediation Amount must be applied to Remediation Requirements for the 2005 Bonds in order to preserve the tax-exemption of interest on the 2005 Bonds and when so applied will preserve the tax-exemption of interest on the 2005 Bonds, the Note Trustee shall transfer such specified amount of cash proceeds to the 2005 Trustee for application as required by such opinion of Nationally Recognized Bond Counsel, and the balance, if any, of such Potential Remediation Amounts thereafter may be applied by the Note Trustee without regard to the Remediation Requirements. The Note Trustee agrees that unless the Note Trustee and 2005 Trustee have received an opinion of Nationally Recognized Bond Counsel addressed to the Note Trustee and the 2005 Trustee stating that such action will not adversely affect the tax-exemption of interest on the 2015 Bonds, no foreclosure, deed in lieu of foreclosure or other disposition or transfer to an entity that is not a non-federal governmental entity or an exempt entity under Section 501(c)(3) using the applicable property in a manner that does not constitute unrelated business use, or private use shall be consummated by the Note Trustee other than in a transaction in which the consideration received is exclusively cash within the meaning of 26 CFR 1.141-12(d)(2). The Note Trustee agrees that no foreclosure, deed in lieu of foreclosure or other disposition or transfer to an entity that is a non-federal governmental entity or an exempt entity under Section 501(c)(3) shall be consummated by the Note Trustee unless the Note Trustee and the 2005 Trustee have received an opinion of Nationally Recognized Bond Counsel addressed to the Note Trustee and the 2005 Trustee stating that either (a) anticipatory remedial action within the meaning of 26 CFR 1.141-12(d)(3) has occurred with respect to the 2005 Bonds, or the 2005 Trustee has received cash and instructions as to the application thereof to the redemption of 2005 Bonds in a manner that will constitute anticipatory remedial action within the meaning of 26 CFR 1.141-12(d)(3), such that the applicable foreclosure, deed in lieu of foreclosure or other disposition or transfer will not adversely affect the tax-exemption of interest on the 2005 Bonds irrespective of the subsequent use or ownership of the transferred property or (b) the applicable transferee has delivered covenants, with respect to which the 2005 Trustee is a third party beneficiary, as to the use and ownership of such property by such transferee and any further transferee thereof in a manner consistent with the preservation of the tax-exemption of interest on the 2005 Bonds.

6. **Entire Agreement; Modification**. This Agreement evidences the entire agreement of the parties regarding the ordering of interests set forth herein, and all prior oral discussions and writings are merged into this Agreement. Any modification or waiver of any provision of this Agreement, or any consent to any departure by any party from the terms hereof, shall not be effective in any event unless the same is in writing and signed by the Note Trustee, the Master Trustee and the Corporation, and then such modification, waiver or consent shall be

effective only in the specific instance and for the specific purpose given. Any notice to or demand on any party hereto in any event not specifically required hereunder shall not entitle the party receiving such notice or demand to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

7. **Further Assurances**. Each party to this Agreement will promptly execute and deliver such further instruments and agreements and do such further acts and things as may be reasonably requested in writing by any other party hereto that may be necessary or desirable in order to effect fully the purposes of this Agreement.

8. **Notices**. Unless otherwise specifically provided herein, any notice delivered under this Agreement shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier service or certified or registered United States mail and shall be deemed to have been given (a) if delivered in person, when delivered; (b) if delivered by telecopy or electronic mail, on the date of transmission if transmitted on a Business Day before 12:00 p.m. (California time) or, if not, on the next succeeding Business Day; (c) if delivered by overnight courier, one Business Day after delivery to such courier properly addressed; or (d) if by United States mail, four Business Days after deposit in the United States mail, postage prepaid and properly addressed.

Notices shall be addressed as follows:

If to the Master Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to (which shall not constitute notice):

U.S. Bank National Association
2300 W. Sahara, Suite 200
LM-NV-NFC2
Las Vegas, NV 89102
Attn: Global Corporate Trust Services

and to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
Attn: Len Weiser-Varon, Esq.

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If to the Corporation or any Obligor:

Verity Health System of California, Inc.
203 Redwood Shores Parkway, Suite 800
Redwood City, CA 94065
Attn: Chief Financial Officer

with copies to (which shall not constitute notice):

Squire Patton Boggs
275 Battery Street, Suite 2600
San Francisco, CA 94111
Attn: Robyn Helmlinger

If to Note Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust Services

with copies to (which shall not constitute notice):

Dorsey & Whitney LLP
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626-7655
Attn: Dennis Wong

or in any case, to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this Section 8.

9. **Successors and Assigns**. This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the Note Trustee, the Master Trustee, the Corporation or any other Obligor. To the extent permitted under the Note Documents, the Note Holders may, from time to time, without notice to the Master Trustee, assign or transfer any or all of the Notes or any interest therein to any Person and, notwithstanding any such assignment or transfer, or any subsequent assignment or transfer, the Notes shall, subject to the terms hereof, be and remain Notes for purposes of this Agreement, and every permitted assignee or transferee of any of the Notes or of any interest therein shall, to the extent of the interest of such permitted assignee or transferee in the Notes, be entitled to rely upon and be the third party beneficiary of the subordination provided under this Agreement and shall be entitled to enforce the terms and provisions hereof to the same extent as if such assignee or transferee were initially a party hereto. The 2005 Trustee, on behalf of the holders of the 2005 Bonds, shall be a third party beneficiary of Section 5 hereof, and neither such Section 5 nor this sentence shall be amended, modified or waived without the consent of the 2005 Trustee.

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10. Relative Rights. This Agreement shall define the relative rights of the Note Trustee on the one hand and the Master Trustee on the other hand. Nothing in this Agreement shall (a) impair, as among the Corporation, the Master Trustee and the Note Trustee and as between the Corporation and the Master Trustee, the obligation of the Corporation or any other Obligor with respect to the payment of the Notes in accordance with their respective terms or (b) affect the relative rights of the Note Trustee or the Master Trustee with respect to any other creditors of the Corporation.

11. No Waiver. Notwithstanding any other provision of this Agreement, nothing in this Agreement shall constitute a waiver of any rights any Holder may have, or any duties the Master Trustee may have, to direct or take any action permitted or required by the Master Indenture, in the event that any amendment, change or modification to any one or more of the Note Documents or any calculation of the amount described in subsection (m) or (q) of the defined term Permitted Lien causes any portion of the Priority Lien not to be a Permitted Lien.

12. Headings. The paragraph headings used in this Agreement are for convenience only and shall not affect the interpretation of any of the provisions hereof.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

14. Severability. In the event that any provision of this Agreement is deemed to be invalid, illegal or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court or governmental authority, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby, and the affected provision shall be modified to the minimum extent permitted by law so as most fully to achieve the intention of this Agreement.

15. Continuation of Subordination; Termination of Agreement. This Agreement is a continuing agreement of subordination pursuant to its terms and in accordance with Section 510(a) of the Bankruptcy Code and shall remain in full force and effect until (i) the indefeasible payment in full in cash of the principal of, interest on and premium, if any, on the Notes, and (ii) the documents and instruments evidencing the Notes have been terminated or performed, in each case in accordance with their respective terms after which this Agreement shall terminate without further action on the part of the parties hereto. The liability and obligations of the Master Trustee hereunder shall be reinstated and revived and the Note Trustee's rights shall continue, with respect to any amount at any time paid on account of the Notes which shall thereafter be required to be restored or returned by the Note Trustee in any Proceeding (including, without limitation, any repayment made pursuant to any provision of Chapter 11 of the Bankruptcy Code, or with respect to any fraudulent transfer or conveyance law), all as though such amount had not been paid. Master Trustee hereby acknowledges that the provisions of this Agreement are intended to be enforceable at all times, whether before or after the commencement of a Proceeding, and hereby waives any right it may have under applicable law to revoke this Agreement or any provisions hereof.

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16. **Applicable Law**. This Agreement shall be governed by and shall be construed and enforced in accordance with the internal laws of the State of California, without regard to conflicts of law principle, but giving effect to federal laws applicable to national banks.

17. **CONSENT TO JURISDICTION. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY CONSENTS TO THE JURISDICTION OF THE STATE COURTS OF THE STATE OF CALIFORNIA AND OF THE FEDERAL COURTS LOCATED IN CALIFORNIA AND IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE LITIGATED IN SUCH COURTS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREE THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON IT BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS AT THEIR RESPECTIVE ADDRESSES SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED.**

18. WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY LAW, EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE NOTE DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN ITS RELATED FUTURE DEALINGS. EACH OF THE NOTE TRUSTEE, THE MASTER TRUSTEE, THE CORPORATION AND THE OBLIGORS WARRANTS AND REPRESENTS THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

19. **NO ORAL AGREEMENTS. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS AMONG THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS AMONG THE PARTIES.**

[*The Remainder of this Page Intentionally Left Blank*]

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IN WITNESS WHEREOF, the Note Trustee, the Master Trustee, the Corporation and each other Obligor have caused this Agreement to be executed as of the date first above written.

NOTE TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION
as Note Trustee

By: _____
Julia Hommel
Vice President

Vice President

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

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MASTER TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION
as Master Trustee

By: _____
Julia Hommel
Vice President

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* LOS ANGELES)

On December 21, 2017, before me, Reuel Espeleta Doce, Notary Public
personally appeared Julia Hommel, who proved to me on the basis of satisfactory evidence to be the person whose name are subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

REUEL ESPELETA DOCE
Commission # 2072580
Notary Public - California
Los Angeles County
My Comm. Expires Jul 23, 2018

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VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a nonprofit corporation, on behalf of itself and each Obligor

By: _____
AKA TY H. CONNOR
Ty Conner
Vice President and Treasurer

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE *of* CALIFORNIA)
) ss:
COUNTY *of* San Mateo)

On 12/20/17, 2017, before me, Matthew E. Hopper, Notary Public personally appeared Ty H. Comes who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by his ~~or her~~ signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

MATTHEW E. HOPPER
COMM. #2169580
Notary Public - California
San Mateo County
My Comm. Expires Oct. 25, 2020

[Seal]

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SCHEDULE A

OBLIGORS

Verity Health System of California, Inc. (the "Corporation")

O'Connor Hospital

Saint Louise Regional Hospital

Seton Medical Center

St. Francis Medical Center

St. Vincent Medical Center

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SCHEDULE B

2015 LOAN AGREEMENTS

1.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $60,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015A, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

2.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015B, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

3.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $10,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015C (FEDERALLY TAXABLE), as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

4.) Loan Agreement dated as of December 1, 2015 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $45,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2015D, as amended by the Amendment to the Loan Agreement dated as of March 2, 2016

2017 LOAN AGREEMENT

5.) Loan Agreement dated as of September 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017

2017B LOAN AGREEMENT

6.) Loan Agreement dated as of December 1, 2017 between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the $21,000,000 California Public Finance Authority Revenue Notes (Verity Health System) Series 2017B

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SCHEDULE C

NOTE COLLATERAL

"Note Collateral" means:

(m) Accounts of:

St. Francis Medical Center
St. Vincent Medical Center
O'Connor Hospital
Saint Louise Regional Hospital
Seton Medical Center including Seton Coastside

(q) Real property located at, and personal property located at, used in connection with or otherwise described in the St. Francis Deeds of Trust and Saint Louise Deed of Trust, respectively, as to the following Property the aggregate Book Value of which Property secured by said Deeds of Trust and created or permitted to exist pursuant to clause (q) of the definition of Permitted Liens shall not exceed 20% of the aggregate Book Value of all Property of the Obligated Group:

St. Francis Medical Center

- 3630 East Imperial Highway, Lynwood, CA
- 2700 E. Slauson Avenue, Huntington Park, CA
- 5953 Atlantic Blvd., Maywood, CA (also known as 5931 and 5957 Atlantic Blvd., including surface parking)

Saint Louise Regional Hospital

- 9400 No Name Uno, Gilroy, CA

SCHEDULE D

MASTER TRUST INDENTURE NOTE OBLIGATIONS

2015 MTI Obligations

Master Trust Indenture Obligation No. 16 in the amount of $60,000,000

Master Trust Indenture Obligation No. 17 in the amount of $45,000,000

Master Trust Indenture Obligation No. 18 in the amount of $10,000,000

Master Trust Indenture Obligation No. 19 in the amount of $45,000,000

2017 MTI Obligation

Master Trust Indenture Obligation No. 21 in the amount of $21,000,000

2017B MTI Obligation

Master Trust Indenture Obligation No. 22 in the amount of $21,000,000

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SCHEDULE E

SECURITY AGREEMENTS

1. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of O'Connor Hospital, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

2. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Saint Louise Regional Hospital, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

3. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Seton Medical Center, and U.S. Bank National Association, as Trustee; as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

4. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of Seton Coastside, a division of Seton Medical Center, and U.S. Bank National Association, as Trustee; as assignee under the Loan Agreement between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2017B Notes.

5. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of St. Francis Medical Center, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

6. Second Amended and Restated Security Agreement dated as of December 1, 2017 between the Corporation, on behalf of St. Vincent Medical Center, and U.S. Bank National Association, as Trustee, as assignee under the Loan Agreements between the California Public Finance Authority and Verity Health System of California, Inc. executed in connection with the Series 2015 Notes, Series 2017 Notes and Series 2017B Notes.

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*): **SUPPLEMENTAL OBJECTION TO 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 PREPEPTITION 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 2, 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 2, 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 2, 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	

☒ 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 2, 2018	Nanette Leali		/s/ Nanette Leali
Date	*Printed Name*		*Signature*

NEF SERVICE LIST

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butler.damarr@pbgc.gov, efile@pbgc.com

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United States Trustee (LA)
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On behalf of Interested Party Wells Fargo Bank, National Association, as indenture trustee

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2:18-20151 Verity Health System of California, Inc. **Chapter 11**

#3.00 Hearing
RE: [31] Emergency motion Emergency Motion Of Debtors For Interim And Final Orders (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

fr. 9-5-18

Docket 31

Matter Notes:

10/3/2018

The tentative ruling will be the order. Subject to additional language as set forth on the record.

Party to lodge order: Movant

POST PDF OF TENTATIVE RULING TO CIAO

Tentative Ruling:

10/3/2018

For the reasons set forth below, the Motion is GRANTED in its entirety. (Amended after hearing in RED to increase the Committee's budget to investigate the validity of secured creditors' liens from $100,000 to $250,000.)

Pleadings Filed and Reviewed:

1) Papers Filed and Orders Entered in Connection with Interim Hearing on Financing Motion:

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a) Emergency Motion of Debtors for Interim and Final Orders (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 [Doc. No. 31] (the "Financing Motion")
   i) Declaration of Richard G. Adcock in Support of Emergency First-Day Motions [Doc. No. 8]
   ii) Declaration of Anita Chou, Chief Financial Officer, in Support of [Financing Motion] [Doc. No. 32]
   iii) Order Setting Hearing on First Day Motions [Doc. No. 18]
   iv) Amended Notice of Hearings on Emergency First-Day Motions Filed by Debtors [Doc. No. 34]
   v) Declaration of Patrick Coffey, Managing Director, in Support of Debtors' [Financing Motion] [Doc. No. 80]

b) Attorney General's Initial Limited Objection to Debtor's Emergency First Day Motions [Doc. No. 60]

c) Combined Reservation of Rights of U.S. Bank National Association, as Series 2015 Note Trustee and as Series 2017 Note Trustee, to [Financing Motion] [Doc. No. 67]

d) Ruling Granting Financing Motion on an Interim Basis [Doc. No. 124]

e) Interim 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 [Doc. No. 86] (the "Interim Financing Order")

2) Notice of Final Hearing on [Financing Motion] [Doc. No. 201]

3) Papers Filed in Opposition to Granting Financing Motion on a Final Basis:
   a) SEIU-UHW's Objection to [Prepetition Wages Motion and Financing Motion] [Doc. No. 213]
      i) Declaration of Caitlin Gray in Support of SEIU-UHW's Opposition to [Prepetition Wages Motion and Financing Motion] [Doc. No. 214]
      ii) Declaration of David Miller in Support of SEIU-UHW's Opposition to [Prepetition Wages Motion and Financing Motion] [Doc. No. 215]
   b) Objection of Retirement Plan for Hospital Employees to [Financing Motion] [Doc. No. 218]
   c) Renewed Reservation of Rights of U.S. Bank National Association, as Series

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2015 Note Trustee and Series 2017 Note Trustee to [Financing Motion] [Doc. No. 219]

d) Attorney General's Limited Objection to [Financing Motion] [Doc. No. 220]
   i) Proof of Service Re Attorney General's Limited Objection to Debtors' [Financing Motion] [Doc. No. 222]
e) Limited Objection of Swinerton Builders to [Financing Motion] [Doc. No. 269] (the "Swinerton Objection")
   i) Declaration of Curtis Johnson in Support of Limited Objection of Swinerton Builders to [Financing Motion] [Doc. No. 270]
f) McKesson Corporation's Opposition to [Financing Motion] [Doc. No. 279]
   i) Notice of Resolution of Disputes and Withdrawal of McKesson Corporation's Opposition to [Financing Motion] [Doc. No. 308]
g) Objection to [Financing Motion] [filed by UMB Bank, N.A.] [Doc. No. 292]
h) The United Nurses Association of California/Union of Health Care Professionals' Limited Objection to [Prepetition Wages and Financing Motions] [Doc. No. 297]
i) Official Committee of Unsecured Creditors' Limited Objection to [Financing Motion] [Doc. No. 316]
j) Combined Limited Response of U.S. Bank National Association, as Series 2015 Note Trustee and Series 2017 Note Trustee, to Master Trustee and Series 2005 Trustee's Objection to [Financing Motion] [Doc. No. 367]
k) Reservation of Rights of Verity MOB Financing LLC and Verity MOB Financing II LLC with Respect to Proposed Final DIP Order [Doc. No. 368]
l) Supplemental Objection to [Financing Motion] [filed by UMB Bank, N.A.] [Doc. No. 380]

4) Reply Papers Filed in Support of Granting Financing Motion on a Final Basis:
   a) Omnibus Reply o Debtors to the Objections to the [Financing Motion] [Doc. No. 309]
   b) Omnibus Supplemental Reply of Debtors to the Objections to the [Financing Motion] [Doc. No. 355]

I. Facts and Summary of Pleadings

On August 31, 2018 (the "Petition Date"), Verity Health Systems of California ("VHS") and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On August 31, 2018, the Court entered an order granting the Debtors' motion for joint administration of the

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Debtors' Chapter 11 cases. Doc. No. 17.

On September 6, 2018, the Court authorized the Debtors to borrow $30 million from Ally Financial, Inc. (the "DIP Lender") on an interim basis. *See* Doc. No. 86 (the "Interim Financing Order"). The Debtor now seeks authorization to borrow up to an additional $155 million from the DIP Lender on a final basis.

A. General Background Information

Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate member of the following five Debtor nonprofit public benefit corporations that operate acute care hospitals: O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, and Seton Medical Center Coastside (collectively, the "Hospitals"). Adcock Decl. [Doc. No. 8] at ¶11. VHS, the Hospitals, and their affiliated entities (collectively, the "Verity Health System") operate a nonprofit health care system in the State of California, with approximately 1,680 in patient beds, six active emergency rooms, a trauma center, and various medical specialties. *Id.* at ¶12. In 2017, the Hospitals provided medical services to over 50,000 inpatients and approximately 480,000 outpatients. *Id.*

Debtor Verity Medical Foundation ("VMF"), incorporated in 2011, is a medical foundation that contracts with physicians and other healthcare professionals to provide patient care throughout California. *Id.* at ¶14. VMF offers medical, surgical, and related healthcare services at community-based, multi-specialty clinics located in areas served by the Debtor Hospitals. *Id.*

Verity Holdings LLC ("Holdings"), a direct subsidiary of its sole member VHS, was created in 2016 to hold and finance Verity's interests in six medical office buildings whose tenants are primarily physicians, medical groups, healthcare providers, and certain of the Hospitals. *Id.* at ¶15. Holdings' real estate portfolio includes over 30 properties. *Id.*

Debtors Saint Louise Regional Hospital Foundation, St. Francis Medical Center Foundation, St. Vincent Medical Center Foundation, Seton Medical Center Foundation, and O'Connor Medical Center Foundation handle fundraising and grant-making programs for each of their respective Debtor Hospitals. *Id.* at ¶16.

As of August 30, 2018, the Debtors' facilities had approximately 850 patients, and are currently at approximately 50% occupancy. *Id.* at ¶17. As of August 31, 2018, the Debtors have approximately 7,385 employees, of whom 4,733 are full-time employees. *Id.* at ¶18. Approximately 74% of these employees are represented by

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collective bargaining units. *Id.*

VHS operates Debtor Verity Business Services ("VBS"), a nonprofit public benefit corporation. *Id.* at ¶30. VBS provides support services to the Verity Health System, including accounting, finance, patient financial services, supply chain management, and purchasing services. *Id.*

O'Connor Hospital operates a 358 bed, general acute care hospital that serves residents from the greater San Jose area, and contains an emergency department with 23 emergency treatment stations. *Id.* at ¶32. St. Vincent Medical Center operates a 366 bed, regional acute care facility located in Los Angeles, CA. *Id.* at ¶34. St. Vincent Medical Center is the sole corporate member of the St. Vincent Dialysis Center, located on the Hospital's campus. *Id.* at ¶36. St. Vincent Dialysis Center provides dialysis services for kidney disease patients. *Id.*

St. Francis Medical Center operates a 384 bed, general acute care hospital located in Lynwood, California. *Id.* at ¶37. Seton Medical Center operates a 357 bed hospital located in Daly City, California. *Id.* at ¶39. Seton Coastside is located in the City of Half Moon Bay, California, and contains 116 skilled nursing beds and five general, acute-care beds. *Id.* at ¶40. Saint Louise Hospital is located in Gilroy, California and operates a 93 bed, general acute care hospital. *Id.* at ¶42.

DePaul Ventures, LLC is a wholly-owned and operated holding company of the Debtors that was formed in August 2010 for the purpose of investing in a freestanding surgery center and other healthcare entities. *Id.*at ¶45. In April 2013, DePaul Ventures, LLC formed DePaul Ventures—San Jose Dialysis, LLC ("Dialysis"), a general and limited partner of Priday Dialysis, LLC ("Priday"). Priday—which is not a Debtor—is a healthcare center specializing in end-stage renal disease treatment. *Id.* at ¶46.

B. The Debtors' Capital Structure

VHS, VBS, and VHS' five acute care hospital subsidiaries (O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, and Seton Medical Center Coastside) are jointly obligated parties on approximately $461.4 million in outstanding secured debt consisting of (a) $259.4 million in outstanding principal amount of tax exempt revenue bonds, Series 2005 A, G and H issued by the California Statewide Communities Development Authority (the "2005 Bonds") and (b) $202 million in outstanding principal amount of tax exempt revenue notes, Series 2015 A, B, C, and D and Series 2017 issued by the California Public Financing Authority (the "Working Capital Notes").

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For the 2005 Bonds, Wells Fargo Bank, N.A. (“Wells Fargo”) is the Bond Trustee and UMB Bank, N.A. (“UMB”) is the successor Master Trustee. The 2005 Bonds were issued to provide funds for capital improvements and to refinancing certain tax exempt bonds that had been issued in 2001. For the Working Capital Notes, U.S. Bank, N.A. ("U.S. Bank") is the Note Trustee and Collateral Agent. (The Working Capital Notes, together with the 2005 Bonds, are collectively referred to as the "MTI Obligations" ("MTI" is an abbreviation for "Master Trustee Indenture").)

Holdings, a direct subsidiary of its sole member VHS, was created in 2016 to hold and finance VHS’ interests in six medical office buildings whose tenants are primarily physicians and medical groups affiliated with certain of the Hospitals operated by the Debtors. Holdings’ real estate portfolio consists of over 30 properties, including, but not limited to, apartment buildings, parking lots, and condominiums. Holdings is the borrower on approximately $66 million on two series of non-recourse financing secured by separate deeds of trust and revenue and accounts pledges, including lease rents on medical buildings (the "MOB Financing"). The secured lenders for the MOB Financing are affiliates of NantWorks, LLC, which is an affiliate of the Debtors’ prepetition manager, Integrity Healthcare, LLC ("Integrity"). (Integrity has not sought bankruptcy protection.)

Debtor Seton Medical Center is liable for repayment of $20 million of limited obligation tax exempt bonds issued in September 2017 by the California Statewide Communities Development Authority (the "Clean Fund Bonds"). The Clean Fund Bonds were issued to assist with clean energy-related capital improvements to Seton Medical Center. No other Debtor is liable for repayment of the Clean Fund Bonds. Wilmington Trust National Association ("WTNA") is the Trustee holding the construction funds raised in connection with the Clean Fund Bonds.

Debtor Seton Medical Center is also liable for repayment of $20 million in California 30-year tax exempt bonds, issued in September 2017 for the purpose of seismic improvements at Seton Medical Center (the "NR2 Petros Bonds"). No other Debtor is liable for repayment of the NR2 Petros Bonds. WTNA is the Trustee holding the construction funds raised in connection with the NR2 Petros Bonds.

NantCapital, LLC has provided $40 million in unsecured debt financing for VHS, as reflected in two $20 million unsecured notes dated March 7, 2018 and March 29, 2018 (the “Unsecured Notes”).

All of the Debtors’ income is subject to prepetition perfected pledges. The gross revenue of the Hospitals is pledged in favor of the 2005 Bonds. The prepetition accounts receivable and government receivables of the Hospitals are pledged in favor

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of the Working Capital Notes. As of August 31, 2018 (the "Petition Date"), the Debtors had less than $40 million of cash on hand that is not subject to control accounts in favor of either the 2005 Bonds, the Working Capital Notes, or the MOB Financing (excluding cash held by WTNA on account of the Clean Fund Bonds and/or the NR2 Petros Bonds).

C. Summary of Papers Filed in Connection with the Final Hearing on the Financing Motion

The Debtors seek entry of a final order authorizing them to borrow an additional $155 million from the DIP Lender (such order, the "Final Financing Order"). Numerous parties object to the terms of the financing package. Those objections, as well as the Debtors' responses thereto, are summarized briefly below.

The Official Committee of Unsecured Creditors (the "Committee") contends that the terms of the financing package are unduly favorable to secured creditors and that unsecured creditors have been unfairly prejudiced. The Debtors maintain that the terms of the financing package are the best that could be negotiated under the circumstances and that the provisions to which the Committee objects were necessary to induce the DIP Lender to provide the financing.

The Attorney General asserts that the Debtor has failed to show that it has properly segregated charitable trust funds in its possession. The Debtors contend that they are in compliance with applicable law regarding the charitable trust assets, and that the Attorney General has failed to point to specific facts showing otherwise.

Various unions representing the Debtors' employees object to the proposed budget (the "Budget") on the grounds that the Budget does not provide for the full payments required under various collective bargaining agreements ("CBAs"). The Debtors assert that under applicable provisions of the Bankruptcy Code, they are not required at this time to make certain of the payments required under the CBAs.

Swinerton Builders ("Swinerton") asserts that it holds an inchoate mechanic's lien against the Seton Medical Center, and objects to the priming of its asserted lien. The Debtors do not concede the validity of the asserted lien, and argue that even if Swinerton does hold a mechanic's lien, it may be primed pursuant to §364(d).

Creditors holding subordinated debt (the "2005 Bond Parties") object to the priming of their liens. The Debtors contend that the holder of the senior secured debt is authorized to consent to the priming of the liens held by the 2005 Bond Parties pursuant to an intercreditor agreement. The Debtors contend that even if the senior secured creditor is not so authorized, the liens of the 2005 Bond Parties may be

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primed pursuant to §364(d).

II. Findings and Conclusions

Based upon its review of the declarations of James Moloney and Anita Chou, the Court finds that the Debtor has submitted competent evidence establishing the need for the proposed financing from the DIP Lender. Specifically, as of the Petition Date, the book value of the Debtors' assets was approximately $857 million. Moloney Decl. [Doc. No. 309] at ¶8. After proper marketing, the aggregate realizable value of those same assets is in the range of $725 million to $800 million. *Id.* As of the Petition Date, aggregate secured claims against the Debtors totaled approximately $565 million. *Id.* at ¶9. The realizable value of the Debtors' assets, in excess of prepetition secured liabilities, is between $150–$225 million. *Id.*

During the first thirteen weeks of the case, the Debtors are projected to collect approximately $239 million in patient revenue, but spend approximately $405 million to maintain operations. Chou Decl. [Doc. No. 309], Ex. 1. The total cash shortfall during the first thirteen weeks is approximately $109 million. *Id.*

These figures establish that the Debtors are in dire need of post-petition financing. If the Debtors continue operations, they have a realistic opportunity to sell their assets for a price that will yield between $150–$225 million in excess of existing secured debt. A sale at that price would result in a meaningful recovery for unsecured creditors. However, simply to maintain operations over the first thirteen weeks of the case, the Debtors must plug a funding shortfall in excess of $100 million.

Against this backdrop, the Court finds it appropriate to approve the financing package that the Debtors have negotiated with the DIP Lender. In this respect, the Court notes that secured creditors holding a significant portion of the outstanding secured indebtedness also support the proposed financing. As addressed in greater detail below, the objections to the financing asserted by the Committee, the 2005 Bond Parties, Swinerton, the Attorney General, and various unions representing the Debtors' employees are OVERRULED.

A. The Debtors Are Entitled to Borrow on a Superpriority Basis

Section 364 provides in relevant part:

> (c) If the trustee is unable to obtain unsecured credit allowable under section 503(b)(1) of this title as an administrative expense, the court, after notice and a hearing, may authorize the obtaining of credit or the incurring of debt—
>
> (1) with priority over any or all administrative expenses of the kind

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specified in section 503(b) or 507(b) of this title;

(2) secured by a lien on property of the estate that is not otherwise subject to a lien; or

(3) secured by a junior lien on property of the estate that is subject to a lien.

(d)(1) The court, after notice and a hearing, may authorize the obtaining of credit or the incurring of debt secured by a senior or equal lien on property of the estate that is subject to a lien only if—

(A) the trustee is unable to obtain such credit otherwise; and

(B) there is adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted.

(2) In any hearing under this subsection, the trustee has the burden of proof on the issue of adequate protection.

Having reviewed the declaration submitted by Anita Chou, the Chief Financial Officer of VHS (the "Chou Decl."), the Court finds that the Debtors were unable to obtain financing on more favorable terms than those proposed by the DIP Lender.

The Court finds that the Secured Creditors whose liens are primed by the DIP Facility are adequately protected. The Maloney Decl. establishes that the aggregate secured debt on the Debtors' balance sheet as of the Petition Date was approximately $565 million. Maloney Decl. at ¶9. The approximate realizable value of the Debtors' assets, in excess of prepetition secured liabilities, is between $150 and $225 million. *Id.* That is, secured creditors are protected by an equity cushion of between 26% to 40%. It is well established that an equity cushion of 20% or more constitutes adequate protection. *See, e.g.*, *In re James River Associates*, 148 B.R. 790, 796 (E.D. Va. 1992) ("The amount of equity cushion sufficient to adequately protect the creditor is determined on a case-by-case basis. *Kost,* 102 B.R. at 831. However, the reported cases do provide some guidance: Case law has almost uniformly held that an equity cushion of 20% or more constitutes adequate protection.... Case law has almost as uniformly held that an equity cushion under 11% is insufficient to constitute adequate protection.... Case law is divided on whether a cushion of 12% to 20% constitutes adequate protection....").

In addition to adequate protection through the equity cushion, the replacement liens and superpriority claims provide the secured creditors additional adequate protection. The financing provided by the DIP Lender will enable the Debtors to

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continue to operate and generate additional receivables. Those receivables will be subject to the replacement liens. *See In re Megan-Racine Associates, Inc.*, 202 B.R. 660, 663 (Bankr. S.D.N.Y. 1996) (concluding that "[a]s long as there was a continuous income stream being generated by the Debtor, the fact that the Debtor consumed a portion of those monies to operate and maintain the facility each month did not diminish the value of the [secured creditor's] interest in the [cash collateral]"). There is no evidence before the Court that the Debtors' assets are declining in value. However, the abrupt cessation of operations would almost certainly result in a decline in value.

B. The Objections Asserted by the Committee are Overruled

The gravamen of the Committee's opposition is that the financing package negotiated by the Debtors places too much risk upon unsecured creditors because the Debtors have granted liens on unencumbered assets. The Committee's opposition is overruled.

The Committee cites *In re Four Seasons Marine & Cycle, Inc.*, 263 B.R. 764, 771 (Bankr. E.D. Tex. 2001) for the proposition that the granting of replacement liens on unencumbered assets is fundamentally unfair to the Debtors' unsecured creditors. The Committee's reliance upon *Four Seasons* is misplaced, as the case is easily distinguishable. In *Four Seasons*, the secured lender sought a replacement lien on unencumbered assets after the debtor's case was converted to Chapter 7 as a result of the debtor's unauthorized use of cash collateral. Noting that the debtor was proceeding to liquidate, the *Four Seasons* court observed that granting the secured lender a replacement lien would punish unsecured parties, not the debtor who had engaged in the wrongdoing necessitating conversion to Chapter 7. The court explained that although the granting of replacement liens "would obviously restore certain funds to [the secured lender], it would do nothing to discourage debtors-in-possession from engaging in this type of misconduct, and it would impose the burden for such restitution upon parties who are wholly innocent of any wrongdoing." *Four Seasons*, 263 B.R. at 771.

In the present case, there is no indication that the Debtors have engaged in any type of wrongdoing. To the contrary, the record shows that the Debtors, under difficult circumstances, negotiated a financing package providing much-needed liquidity. The presence of this financing affords the Debtors critical breathing space, during which their assets can be exposed to the market. The facts of this case could not be more different from the facts of *Four Seasons*.

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The premise underlying the Committee's objections is that the Debtors have prejudiced unsecured creditors by giving too much away to the secured creditors and the DIP Lender. Quite simply, that premise is incorrect. As discussed above, the Debtors are in a dire financial position. Under the circumstances, the Debtors were very fortunate to have negotiated a financing package containing such favorable terms.

The Committee objects to the Debtors' proposal to grant a §506(c) waiver, arguing that the Debtors are giving away a potential recovery for unsecured creditors. The Committee is correct that certain courts have declined to grant §506(c) waivers. However, the Committee overlooks the case that many other courts have granted § 506(c) waivers upon a finding that the waiver was necessary to induce the lender to extend the necessary credit. *See, e.g., In re Real Mex Restaurants, Inc.*, Case No. 11-13122 (BLS) (Bankr. D. Del. Nov. 4, 2011); *In re Metaldyne Corp*., 2009 WL 2883045 (Bankr. S.D.N.Y. 2009); *In re Antico Mfg. Co.*, 31 B.R. 103, 106 n.1 (Bankr. E.D.N.Y. 1983) (holding that the §506(c) waiver was "not so detrimental or improper as to jeopardize the loss of the entire financing package"). Here, the Court finds that the §506(c) was necessary to induce the DIP Lender to extend the financing. The Committee's objection to the §506(c) waiver is overruled.

The Committee objects to the proposed §552(b) waiver, making arguments similar to those presented in opposition to the §506(c) waiver. Once again, the Court overrules the Committee's objections. Like §506(c) waivers, §552(b) waivers are routinely granted in large Chapter 11 cases as a means of adequately protecting the cash collateral of secured creditors. In view of the approximately $550 million in secured debt, the fact that the Debtors were able to obtain the assent of most of the secured creditor body with respect to the proposed financing package is significant. It was reasonable for the Debtors to grant the secured creditors a §552(b) waiver in order to obtain such consent.

The Committee's request that its budget to investigate the validity of secured creditors' liens be increased from $100,000 to $250,000 is granted. The carve-out contains an allocation of $150,000 for persons or firms retained by the Committee. The Committee's request for an increase in its carve-out allocation is denied. ~~The Committee's request that its budget to investigate the validity of the secured creditors' liens (the "Investigation Budget") be increased, as well as its request that its allocation under the carve-out be increased, are denied. The Debtors and the DIP Lender have already agreed to increase the Investigation Budget from $50,000 to $100,000. In the Court's view, the Committee's request for a further increase to $250,000 is not~~

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~~warranted.~~

~~Similarly, the Court finds that the currently budgeted amounts of $100,000 per month for the Committee's counsel and $50,000 per month for the Committee's financial advisors is sufficient, and that a further increase is not warranted.~~

The Committee objects to provisions of the financing package requiring that the Debtors commence a process to sell their assets within sixty days of the Petition Date. According to the Committee, these conditions improperly circumscribe the parameters of the sale process. The Court disagrees. As discussed, the Debtors' financial position is not strong. In fact, the Debtor is hemorrhaging money at an unsustainable rate In the Court's view, a rapid sale of the Debtors' assets would be an expeditious means of resolving this case.

C. The Swinerton Objection is Overruled

Swinerton Builders ("Swinerton") asserts that it holds a mechanic's lien against the Seton Medical Center property, and objects to any priming of its asserted lien. Swinerton states that it has not taken action to formalize the perfection of its lien, but asserts that it will do so in the coming weeks.

In the context of this hearing, the Court makes no determination as to whether Swinerton holds a mechanic's lien against the Seton Medical Center Property. Even if Swinerton does hold such a lien, there is nothing in the Bankruptcy Code preventing that lien from being primed where necessary to facilitate post-petition financing. The financing package negotiated by the Debtor primes the liens of all secured creditors, not just Swinerton's. There is no reason why Swinerton's lien should not be primed in the same manner as the liens of other secured creditors. Swinerton's objection is overruled.

D. The Attorney General's Objection is Overruled

The Attorney General of the State of California (the "Attorney General") objects to the Motion on the grounds that the Debtors may be seeking to use restricted charitable funds as cash collateral. The Attorney General and the Debtors do not dispute that to the extent that the Debtors hold restricted donor funds, such funds may not be encumbered or used for non-charitable purposes.

The Attorney General argues that the Debtors should be required to include the following language in the Final Financing Order:

> Nothing in this order shall create or validate liens on or allow the use of any temporarily or permanently restricted assets held by Debtors for any

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purpose other than their restricted purpose. These temporarily and permanently restricted assets are not property of the bankruptcy estate.

Nothing in this order shall in any way diminish the obligation of any entity, including the debtors, to comply with applicable state law and conditions including, but not limited to, charitable trust laws and the conditions set forth in the California Attorney General's Decision dated December 3, 2015. Further, nothing in this order or the budget shall prevent the debtors from complying with any such obligations or conditions.

Having reviewed the Supplemental Chou Decl., the Court finds that the Debtors have adopted procedures to ensure that they remain compliant with their legal obligations with respect to the maintenance of restricted donor funds. Specifically, the Debtors have established procedures denominating funds as either "permanent donor restricted funds" or "temporarily restricted funds." Supplemental Chou Decl. at ¶6. As required by GAAP, the Debtors segregate permanent donor restricted funds from temporarily restricted funds. *Id.* The Court finds that the Debtors have established that they are in compliance with applicable charitable trust laws.

In its opposition, the Attorney General does not point to any specific conduct of the Debtors that violates applicable law. In view of the procedures implemented by the Debtors to ensure compliance with the law, and the absence of any showing by the Attorney General that the Debtors have not fulfilled their legal obligations, the Court declines to require the Debtors to insert into the Final Financing Order the provisions requested by the Attorney General. The DIP Credit Agreement, which is incorporated by reference into the proposed Final Financing Order, already contains language requiring the Debtors to "comply with the requirements of all Applicable Laws." DIP Credit Agreement, §5.5. Provisions in the Final Financing Order requiring compliance with applicable laws are unnecessary.

E. The 2005 Bond Parties' Objection is Overruled

The 2005 Bond Parties object to the priming of their liens, unless certain language is included in the Final Financing Order.

U.S. Bank, in its capacity as Note Trustee for the Working Capital Notes, has consented to the DIP Liens. Pursuant to an Intercreditor Agreement between U.S. Bank and the 2005 Bond Parties, U.S. Bank is authorized to subordinate the security interests held by the 2005 Bond Parties.

Based on the provisions set forth in the Intercreditor Agreement, the Court finds

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that the consent of the 2005 Bond Parties to the priming of their liens is unnecessary. To the extent that consent is required, it has been provided by U.S. Bank. The 2005 Bond Parties are bound by the provisions of the Intercreditor Agreement, and cannot escape the effect of those provisions simply as a result of the Debtors' bankruptcy.

In addition, even assuming *arguendo* that U.S. Bank had not consented or that its consent was somehow not effective, the provisions of §365(d) authorize the Court to prime the liens of secured creditors where necessary to facilitate post-petition financing. Further, the Court finds that the liens of the 2005 Bond Parties are adequately protected by, among other things, the assets of the Debtors, the equity cushion, the proposed package of payments, and the Prepetition Replacement Liens.

The 2005 Bond Parties' objections are overruled.

F. The Debtors are Not Required to Accord Superpriority Status to Postpetition Ordinary Course Transfers Between Debtors

As set forth in the tentative ruling issued in connection with the Cash Management Motion, the Court finds that Committee's contention that the Debtors should be required to accord super-priority claim status to transfers made between Debtors in the ordinary course of business is more appropriately addressed in the context of the Financing Motion. As set forth below, the Court declines to require the Debtors to accord super-priority status to intercompany transfers.

The Debtors are seventeen separate legal entities, but operate those legal entities as a consolidated business enterprise. In the course of their business operations, it is common for one Debtor to purchase or sell goods and/or services to other Debtors.

The Committee's objection appears to be motivated by the concern that because these transfers are not at arms-length, the purchase price paid by one Debtor for goods and services purchased from another Debtor may not be commercially reasonable. The Court notes that it is conceivable that transfers from one Debtor to another on commercially unreasonable terms could function as a backdoor means of transferring funds from a financially stronger to a financially weaker Debtor.

There is no competent evidence before the Court showing that financially stronger Debtors are using intercompany transfers as an improper means of subsidizing financially weaker Debtors. Were such transfers to occur, the Committee would not be without legal remedies. The Committee's request that such ordinary transfers be accorded super-priority status would prove operationally burdensome. Absent concrete evidence of abuse, the Court declines to order the relief requested by the Committee.

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G. Objections Asserted by Unions Representing the Debtors' Employees Are Addressed in the Prepetition Wages Motion

For the reasons set forth in the tentative ruling issued in connection with the Prepetition Wages Motion, the objections asserted by the unions representing the Debtors' employees are overruled.

H. Cash Collateral

Section 363(c)(2) requires court authorization for the use of cash collateral unless "each entity that has an interest in such cash collateral consents." Absent affirmative express consent, the Debtors "may not use" cash collateral absent the Court's determination that the use is "in accordance with the provisions" of Section 363—that is, that the secured creditor's interest in the cash collateral is adequately protected. Section 363(c)(2)(B); Section 363(e).

As noted above, the vast majority of the creditors holding secured debt have consented to the terms of the financing package. The 2005 Bond Parties have objected to the priming of their liens; however, as stated above, U.S. Bank has the capacity to consent to the priming of the 2005 Bond Parties' liens as a result of the Intercreditor Agreement. Further, even assuming *arguendo* that U.S. Bank did not have such capacity, the liens of the 2005 Bond Parties are adequately protected by, among other things, the assets of the Debtors, the equity cushion, the proposed package of payments, and the Prepetition Replacement Liens.

III. Conclusion

Based upon the foregoing, the Motion is GRANTED in its entirety. The Court is prepared to enter the order that has already been submitted by the Debtors.

No appearance is required if submitting on the court's tentative ruling. If you intend to submit on the tentative ruling, please contact Jessica Vogel or Daniel Koontz, the Judge's Law Clerks, at 213-894-1522. **If you intend to contest the tentative ruling and appear, please first contact opposing counsel to inform them of your intention to do so.** Should an opposing party file a late opposition or appear at the hearing, the court will determine whether further hearing is required. If you wish to make a telephonic appearance, contact Court Call at 888-882-6878, no later than one hour before the hearing.

Party Information

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CONT... Verity Health System of California, Inc. **Chapter 11**
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Wells Fargo Bank, National Association, as indenture trustee

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtor and Debtor In Possession.	Lead Case No. 2:18-bk-20151-ER 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-20181-ER Chapter 11 Cases Hon. Ernest M. Robles **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** **[LBR 9021-1(B)(3)(b)]** HEARING HELD ON: Date: October 3, 2018 Time: 10:00 a.m. Ctrm: 1568
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Medical Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects DePaul Ventures, LLC ☐ Affects DePaul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

Pursuant to Local Bankruptcy Rule 9021-1(b)(3)(B), secured creditors UMB Bank, N.A., as successor master indenture trustee for the master indenture obligations described more fully below (the "Master Trustee"), and Wells Fargo Bank, National Association, as indenture trustee for the series 2005 revenue bonds also described more fully below (the "Series 2005 Trustee", and, collectively with the Master Trustee, the "Secured Parties") object to the Debtors' proposed form of final order (the "Proposed Final Order") on their "*Emergency Motion of Debtors for Interim and Final Orders (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*" [Docket No. 31] (the "Financing Motion").

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

ARGUMENT

At today's hearing on the Financing Motion, the Court ruled that the final order on the Financing Motion should provide that any priority of replacement liens between the Secured Parties and Note Trustee[1] should be governed by the Intercreditor Agreement, subject to further order of the Court. The Proposed Final Order, a copy of which is attached hereto as **Exhibit B**, does not reflect that ruling.

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

[1] Capitalized terms not defined have the meanings used in the Financing Motion.

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

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

Dated: October 3, 2018

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

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

and

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

Attorneys for

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

[2] A redline reflecting the differences between the Secured Parties' proposed form of order and 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	

☒ 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
Date	*Printed Name*		*Signature*

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On behalf of Debtors Verity Health System of California, Inc., et al.

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On behalf of Creditor Old Republic Insurance Company, et al

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United States Trustee (LA)

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On behalf of Creditor Old Republic Insurance Company, et al.

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Attorney requesting notice

Charles E Nelson
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Email: nelsonc@ballardspahr.com

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

William P Wassweiler
Ballard Spahr LLP
80 S Eighth St Ste 2000
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On behalf of Interested Party Wells Fargo Bank, National Association, as indenture trustee

EXHIBIT A

From: "Montgomery, Claude D." <claude.montgomery@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
To: 'claude.montgomery@dentons.com' <claude.montgomery@dentons.com>; 'David.Lemke@wallerlaw.com' <David.Lemke@wallerlaw.com>; Gerald Mace <Gerald.Mace@wallerlaw.com>; 'GBray@milbank.com' <GBray@milbank.com>; 'DODonnell@milbank.com' <DODonnell@milbank.com>; 'bbennett@jonesday.com' <bbennett@jonesday.com>; 'Coco, Nathan' <ncoco@mwe.com>; 'Clark Whitmore' <Clark.Whitmore@maslon.com>; Wassweiler, William P. <wassweilerw@ballardspahr.com>; 'Maizel, Samuel R.' <samuel.maizel@dentons.com>; 'Moyron, Tania M.' <tania.moyron@dentons.com>; Macksoud, Lauren <lauren.macksoud@dentons.com>; 'carolyn.richter@dentons.com' <carolyn.richter@dentons.com>; 'ElspethPaul@verity.org' <ElspethPaul@verity.org>
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. <claude.montgomery@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.

DENTONS Samuel R. Maizel

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Bio | Website

Dentons US LLP

HPRP > Zain & Co. > Delany Law > Dinner Martin > Maclay Murray & Spens > Gallo Barrios Pickmann > Muñoz > Cardenas & Cardenas > Lopez Velarde > Rodyk > Boekel > OPF Partners > 大成

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EXHIBIT B

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 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**
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

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

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

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

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

2. **DIP Financing Agreements.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(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

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Secured Creditors 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. 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.

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

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

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

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

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pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising of any kind or nature whatsoever including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552, 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of this Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition Superpriority Claim 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 have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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 Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

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

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

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

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

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

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

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business days' notice to counsel for the Committee and the Prepetition Secured Creditors prior to the effective date of any change in the DIP Budget.

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

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

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

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

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

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

11. **Cash Collection**.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28. **Other Rights and Obligations**.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(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

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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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EXHIBIT C

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 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**
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

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

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

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

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

2. **DIP Financing Agreements.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(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

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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.

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

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

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

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(d) **Prepetition Superpriority Claim**. To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below, an allowed superpriority administrative expense claim (the "***Prepetition Superpriority Claims***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising of any kind or nature whatsoever including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552, 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of this Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition Superpriority Claim 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 have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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 Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor

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

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

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

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

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

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

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

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

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

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

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

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

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

11. **Cash Collection**.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28. **Other Rights and Obligations**.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Proposed Attorneys for the Chapter 11 Debtors and

Debtors In Possession

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

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Ernest M. Robles
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**[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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Upon the emergency motion (the "***DIP Motion***")[1], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") following conclusion of the interim hearing (the "Interim Hearing") authorizing the Debtors, on an interim basis, and following the conclusion of a final hearing (the "***Final Hearing***") on the DIP Motion, for entry of a final order (the "***Final Order***") authorizing the Debtors, on a final basis to, among other things: *inter alia*:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

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

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

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

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

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

2. **DIP Financing Agreements.**

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

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

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

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

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

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506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this Court.

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

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

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

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

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

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Final Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Final Order and

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terminating upon the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

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

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

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

(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

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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.

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

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

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

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

of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below, an allowed superpriority administrative expense claim (the "***Prepetition Superpriority Claims***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising of any kind or nature whatsoever including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552, 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of this Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition Superpriority Claim 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 have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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 Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be

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allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

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

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

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

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

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

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

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

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

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

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

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

11. **Cash Collection**.

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

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

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

acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject to the sole dominion and control of the DIP Agent (such account, the "***DIP Collateral Account***"). The Debtors' use of the proceeds in the DIP Collateral Account shall be subject to this Final Order and the DIP Financing Agreements.

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

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

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

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

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

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

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

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

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

18. **Payment of Compensation.** Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any of the Debtors or the Committee or shall affect the right of the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson to object to the allowance and payment of such fees and expenses or to permit the Debtors to pay any such amounts not set forth in the DIP Budget.

19. **Section 506(c) Claims; Equities of the Case**. Nothing contained in this Final Order shall be deemed a consent by the DIP Agent, the DIP Lender or any Prepetition Secured Creditor to any charge, lien, assessment or claim against the DIP Collateral under Section 506(c) of the Bankruptcy Code or otherwise. The "equities of the case" exception under Section 552(b) of the Bankruptcy Code and surcharge powers under section 506(c) of the Bankruptcy Code are waived as to the Prepetition Creditors and all pre and postpetition collateral securing their claims.

20. **Collateral Rights.** Unless the DIP Agent and DIP Lender have provided their prior written consent or all DIP Obligations have been paid in full in cash (or will be paid in full in cash upon entry of an order approving indebtedness described in subparagraph (a) below), and all commitments by the DIP Agent and the DIP Lender to lend have terminated:

(a) The Debtors shall not seek entry, in these proceedings, or in any Successor Case, of any order which authorizes the obtaining of credit or the incurring of indebtedness that is secured by a security, mortgage, or collateral interest or other lien on all or any portion of the DIP Collateral and/or entitled to priority administrative status which is senior or *pari passu* to the DIP

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Liens granted to the DIP Lender pursuant to this Final Order, the DIP Financing Agreements or otherwise;

(b) The Debtors shall not consent to relief from the automatic stay by any person other than the DIP Agent with respect to all or any portion of the DIP Collateral without the express written consent of the DIP Agent and the DIP Lender;

(c) In the event that the Debtors seek entry of an order in violation of subsection (a) hereof, the DIP Agent and DIP Lender shall be granted relief from the automatic stay with respect to the DIP Collateral pursuant to the notice procedures set forth in this Order; and

(d) The Parties to the DIP Credit Agreement agree that the Final Order does not impair the claims, rights, or ability, if any, to recoup, setoff or otherwise recover Medicare overpayments related to prepetition services by a Debtor ("***Prepetition Medicare Overpayments***") of the United States, its agencies, departments, agents or entities (collectively, "***United States***") from the payments made to such Debtor for services rendered after the Petition Date ("***Postpetition Medicare Payments***"), in accordance with the Medicare statutes, regulations, policies and procedures. The Parties to the DIP Credit Agreement further agree that the Final Order does not impair the United States' claims, rights or ability, if any, to recoup, setoff or otherwise recover any other prepetition debt a Debtor may owe to the United States from the Postpetition Medicare Payments due such Debtor in accordance with applicable law.

21. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Agent and the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 7, 2019 (the "***Scheduled Termination Date***"); (ii) the date of revocation of this Final Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the

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dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***"). The occurrence of the Commitment Termination Date, shall also constitute, subject to further Court order, termination of the Prepetition Secured Creditors' and McKesson consent to the Debtors' use of their prepetition Cash Collateral (the "**Carve Out Trigger Date**").

22. **Disposition of Collateral**. The Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the DIP Collateral, without the prior written consent of the DIP Agent and the DIP Lender (and no such consent shall be implied, from any other action, inaction or acquiescence by the DIP Agent or the DIP Lender or an order of this Court), except as provided in the DIP Financing Agreements and this Final Order and approved by the Court to the extent required under applicable bankruptcy law. Nothing herein shall prevent the Debtors from making sales in the ordinary course of business to the extent consistent with the DIP Budget and as permitted in the DIP Financing Agreements.

23. **Events of Default.** The occurrence of a "Default" or an "Event of Default" pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the "Bankruptcy Defaults" enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of default under this Final Order, unless expressly waived in writing in accordance with the consents required in the DIP Financing Agreements.

24. **Rights and Remedies Upon Event of Default.**

(a) Any otherwise applicable automatic stay is hereby modified so that after the occurrence of any Event of Default and at any time thereafter during the continuance of such Event of Default, the DIP Agent and the DIP Lender shall be entitled to exercise its rights and remedies with respect to the Debtors and the DIP Collateral provided in the DIP Financing Agreements and by applicable law, including, without limitation, foreclosing on and selling the DIP Collateral, without the need for further court approval or the consent of any other party.

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(b) Notwithstanding the preceding paragraph, immediately following the giving of notice by the DIP Agent of the occurrence and continuance of an Event of Default, the DIP Agent shall have the right in its sole discretion to take any or all of the following actions: (i) declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare the unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other DIP Financing Agreements to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by any Debtor; (iii) reduce the advance rates in respect of Eligible Accounts (as defined in the DIP Credit Agreement) or take additional reserves against or otherwise modify the Borrowing Base; and (iv) exercise all rights and remedies available to the DIP Agent and the DIP Lenders under the DIP Financing Agreements, including any right of set-off under Section 11.21 of the DIP Credit Agreement, or under the UCC or any other applicable law; *provided, however*, that upon the occurrence of an Event of Default under the DIP Credit Agreement, the obligation of the DIP Lenders to make the DIP Loan shall automatically terminate, the unpaid principal amount of all outstanding DIP Loans and other DIP Obligations and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the DIP Agent or any DIP Lender.

(c) Nothing included herein shall prejudice, impair, or otherwise affect the DIP Agent's or the DIP Lender's rights to seek any other or supplemental relief in respect of the DIP Agent's and the DIP Lender's rights, as provided in the DIP Credit Agreement.

25. **Limitation on Lender Liability**. Nothing in this Final Order, any of the DIP Financing Agreements, or any other documents related thereto shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent, the DIP Lenders or the Prepetition Secured Parties Creditors of any liability for any claims arising from any activities by the Debtors in the operation of their businesses or in connection with the administration of these Cases. The DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall not, solely by reason of having made loans under the DIP Facility, be deemed in control of the operations of the Debtors or to be acting as a "responsible person" or "owner or operator" with respect to the

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operation or management of the Debtors (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq., as amended, or any similar federal or state statute). Nothing in this Final Order or the DIP Financing Agreements shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent, the DIP Lenders, or any of the Prepetition Secured Creditors of any liability for any claims arising from the prepetition or postpetition activities of any of the Debtors.

26. **Insurance Proceeds and Policies**. As of the entry of this Final Order and to the fullest extent provided by applicable law, the DIP Agent (on behalf of the DIP Lenders) and the Prepetition Secured Creditors, shall be, and shall be deemed to be, without any further action or notice, named as additional insured and as lender's loss payee with the priority as to all rights and remedies as set forth herein and in the DIP Credit Agreement.

27. **Proofs of Claim**. Neither the DIP Agent nor the DIP Lender will be required to file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Creditors.

28. **Other Rights and Obligations**.

(a) **Good Faith Under Section 364(e) of the Bankruptcy Code. No Modification or Stay of this Final Order.** The Debtors, the DIP Agent, the DIP Lender, the Prepetition Secured Creditors and McKesson have acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and authorizing use of Cash Collateral and rely on this Final Order in good faith. Based on the findings set forth in this Final Order and the record made during the Interim Hearing and the Final Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Final Order are hereafter reversed, modified amended or vacated by a subsequent order of this or any other Court, the DIP Agent, DIP Lender, Prepetition Secured Creditors and McKesson are entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or *vacatur* shall not affect the

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validity and enforceability of any advances made pursuant to this Final Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens, the Prepetition Replacement Liens or the VMF Replacement Lien. Any claims or DIP Protections granted to the DIP Agent and the DIP Lender hereunder, or adequate protection granted to the Prepetition Secured Creditors and McKesson hereunder, arising prior to the effective date of such reversal, modification, amendment or *vacatur*, shall be governed in all respects by the original provisions of this Final Order, and the DIP Agent, the DIP Lender, Prepetition Secured Creditors and McKesson shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections and adequate protection granted herein, with respect to any such claims. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Final Order, the obligations owed to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson prior to the effective date of any reversal or modification of this Final Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson under this Final Order and/or the DIP Financing Agreements.

(b) **Binding Effect**. The provisions of this Final Order shall be binding upon and inure to the benefit of the DIP Agent, DIP Lender, the Debtors, the Prepetition Secured Creditors, McKesson, the Committee, all other Parties in Interest, and all creditors, and each of their respective successors and assigns (including any trustee or other fiduciary hereinafter appointed as a legal representative of the Debtors or with respect to the property of the estates of the Debtors) whether in the Chapter 11 Cases, in any Successor Cases, or upon dismissal of any such chapter 11 or chapter 7 case.

(c) **No Waiver**. The failure of the DIP Agent or the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this Final Order or otherwise, as applicable, shall not constitute a waiver of the DIP Agent's or the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding

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anything herein, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Agent or the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Agent and DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Agent or DIP Lender may have pursuant to this Final Order, the DIP Financing Agreements, or applicable law. Nothing in this Final Order shall interfere with the rights of any party with respect to any non-Debtors.

(d) **No Third Party Rights**. Except as explicitly provided for herein, this Final Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary.

(e) **No Marshaling**. The DIP Lender shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the DIP Collateral.

(f) **Amendment.** The Debtors, the DIP Agent and the DIP Lender may amend or waive any provision of the DIP Financing Agreements, on notice to the Office of the U.S. Trustee, the Committee, the Prepetition Secured Creditors and McKesson. The Debtors shall give each Prepetition Secured Creditor and McKesson notice concurrent with giving such notice or request to the DIP Agent for any amendment or waiver of the DIP Financing Agreements and, without prejudice to the effectiveness of any such amendment or waiver, each Prepetition Secured Creditor shall have the right to file a motion objecting to such amendment. Nothing in this Final Order shall authorize the DIP Agent or DIP Lenders to increase the commitments in excess of the commitments set forth in this Final Order, increase the contract interest rate, defined in the DIP Credit Agreement as the Applicable LIBOR Margin, increase the Default Rate or extend the maturity date, defined in the DIP Credit Agreement as the "Scheduled Termination Date". Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all

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the Debtors, the DIP Agent and the DIP Lender, and, if material, approved by the Court. Nothing herein shall preclude the Debtors, the DIP Agent and the DIP Lender from implementing any amendment or waiver of any provision of the DIP Financing Agreements.

(g) **Estate Subrogation**. Debtor Verity Holdings shall have an allowed unsecured superpriority administrative expense claim granted to it pursuant to section 364(c)(1), against each of the other Debtors that is a "Net Borrower" (as defined below) based on the consolidated cash management process and DIP Loan, which claim shall be subordinate to the DIP Obligations, including the DIP Superpriority Claim, and to the Adequate Protection Claims of the Prepetition Secured Creditors and McKesson, but shall have priority over all other administrative claims, in an amount equal to the sum of (a) the amount, if any, by which Debtor Verity Holdings' assets that are used to satisfy the DIP Loan, the Prepetition Replacement Liens or VMF Liens, exceeds the amount, if any, of any draws on the DIP Loan used by Verity Holdings plus interest, and (b) any postpetition net intercompany advances by Verity Holdings to any other Debtor. "Net Borrower" shall mean any Debtor for which the sum of all cash received from the concentration account or draws on the DIP Loan and its allocation of interest paid or payable under the DIP Loan based on amounts received by it and amounts received by other Debtors, exceeds any cash it has transferred to the concentration account during the Chapter 11 Cases.

29. **Survival of Final Order and Other Matters.** The provisions of this Final Order and any actions taken pursuant hereto shall survive entry of any order which may be entered in these Bankruptcy Cases, including without limitation, an order (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Final Order including the DIP Protections granted pursuant to this Final Order and the DIP Financing Agreements, shall continue in full force and effect notwithstanding the entry of such order, and such DIP Protections shall maintain their priority as provided by this Final Order until all the

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Obligations of the Debtors to the DIP Agent and the DIP Lender pursuant to the DIP Financing Agreements have been indefeasibly paid in full and in cash and discharged (such payment being without prejudice to any terms or provisions contained in the DIP Financing Agreements which survive such discharge by their terms). The terms and provisions of this Final Order including any protections granted to the Prepetition Secured Creditors and McKesson, shall continue in full force and effect notwithstanding the entry of such order, and such protections for the Prepetition Secured Creditors and McKesson shall maintain their priority as provided by this Final Order until all the obligations of the Debtors to the Prepetition Secured Creditors and McKesson pursuant to applicable documentation have been discharged. The DIP Obligations shall not be discharged by the entry of an order confirming a plan of reorganization, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

(a) **Inconsistency**. In the event of any inconsistency between the terms and conditions of the DIP Financing Agreements and of this Final Order, the provisions of this Final Order shall govern and control.

(b) **Enforceability**. This Final Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Final Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Final Order.

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled.

(d) **No Waivers or Modification of Interim Order**. The Debtors irrevocably waive any right to seek any modification or extension of this Final Order without the prior written consent of the DIP Agent and the DIP Lender and no such consent shall be implied by any other 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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Attorneys for U.S. Bank National Association, not individually but as Series 2015 Note Trustee and Series 2017 Note Trustee, respectively

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re:

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,

Debtors.

Case 2:18-bk-20151-ER
Jointly Administered
Chapter 11 Cases

RESPONSE OF U.S. BANK NATIONAL ASSOCIATION, AS SERIES 2015 NOTE TRUSTEE AND SERIES 2017 NOTE TRUSTEE, TO 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

U.S. Bank National Association, not individually but in its respective capacities as Series 2015 Note Trustee and as Series 2017 Note Trustee (collectively, the "**Notes Trustee**"), submits this response to the *Objection to Debtors' Proposed Form of Order on Motion of Debtors for Final Orders (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* [Docket No. 398] (the "**Objection**") filed by UMB Bank, N.A., as successor master indenture trustee (the "**Master Trustee**"), and Wells Fargo Bank, National Association, as indenture trustee for the Series 2005 Bonds (the "**Series 2005 Trustee**").

1. On October 3, 2018, the Court held a final hearing on the *Emergency Motion of Debtors for Final Orders (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* [Docket No. 31] (the "**Financing Motion**").[1] Following the hearing, the Debtors lodged a proposed form of final order on the Financing Motion (the "**Proposed Final Order**").

2. The Debtors included additional language in Section 5(a) of the Proposed Final Order, as indicated on the record in open court, to address the court's ruling in response to the objection of the Master Trustee and the Series 2005 Trustee to the Financing Motion. In particular, the Debtors revised Section 5(a) of the Proposed Final Order to provide, "[u]nless 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." The Notes Trustee submits that this language accurately reflects the Court's limited ruling, and is consistent with the language that Debtors' counsel, Claude D. Montgomery, read into the record at the hearing.[2] The Notes Trustee relied upon and agreed to this language as having resolved the objection to the Financing Motion.

[1] Capitalized terms used but not defined herein shall have the meanings given to them in the Financing Motion.

[2] While the Notes Trustee does not have access to the hearing transcript, should the transcript be available to the Court, the Notes Trustee believes that the transcript is entirely consistent with the language the Debtors incorporated into the Proposed Final Order.

3. In the Objection, the Master Trustee and Series 2005 Trustee now seek the addition of language beyond the scope of the Court's limited ruling that, absent an order of the Court, the Intercreditor Agreement would not be deemed altered. In particular, the Master Trustee and the Series 2005 Trustee propose that an additional proviso be inserted into Section 5(a), mid-sentence and mid-paragraph, stating as follows: "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, ..." In the Notes Trustee's view, this proviso does not accurately reflect the statements of the Court or Debtors' counsel about the Court's intended modification of the order on the Financing Motion.

4. The alternative language suggested in the Objection subtly goes beyond preserving the rights of the parties under the Intercreditor Agreement and would introduce errors. First, it erroneously supposes that all of the Prepetition Secured Creditors are parties to the Intercreditor Agreement, which they are not. Second, it erroneously implies that the scope of the Intercreditor Agreement, which is a bilateral subordination arrangement between the Master Trustee and the Notes Trustee, somehow governs broad categories of priorities, rights and remedies to which it may not apply. Moreover, the preemptory clause "notwithstanding the foregoing" converts the agreed-upon savings clause to an affirmative and improper alteration of the adequate protection rights granted in the prior clauses of Section 5(a) to both parties and non-parties to the Intercreditor Agreement. The Notes Trustee has not consented to, and does not consent to, its inclusion.

WHEREFORE, for the foregoing reasons, the Notes Trustee respectfully requests that the Court enter the Proposed Final Order in the form submitted by the Debtors.

Dated: October 4, 2018

MCDERMOTT WILL & EMERY LLP

By: /s/ Jason D. Strabo
Jason D. Strabo

MASLON LLP

By: /s/ Clark T. Whitmore
Clark T. Whitmore

Attorneys for U.S. Bank National Association, not individually but as Series 2015 Note Trustee and Series 2017 Note Trustee, respectively

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: McDermott Will & Emery LLP, 2049 Century Park East, 38th Floor, Los Angeles, CA 90067-3218.

A true and correct copy of the foregoing document entitled RESPONSE OF U.S. BANK NATIONAL ASSOCIATION, AS SERIES 2015 NOTE TRUSTEE AND SERIES 2017 NOTE TRUSTEE, TO 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 October 4, 2018, I checked the CM/ECF docket for this bankruptcy case and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

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☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:
On October 4, 2018, I served the following persons and/or entities at the last known addresses in this bankruptcy case 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.

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Sam J. Alberts, Dentons US LLP, 1900 K Street NW, Washington, DC 20006-1100

David W. Lively, Matthew P. James, Monique D. Jewett-Brewster, Hopkins & Carley, 70 S First Street, San Jose, CA 95113

Marilyn Klinger, Ryan B. Luther, SMTO Law, LLP, 355 S. Grand Avenue, Suite 2450, Los Angeles, CA 90071

John Ryan Yant, Carlton Fields Jorden Burt, P.A. 4221 W. Boy Scout Blvd., Suite 1000 Tampa, FL 33607-5780

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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 _____, 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 Delivery:
Honorable Ernest Robles
United States Bankruptcy Court for the Central District of California
Roybal Federal Building
255 E. Temple Street, Suite 1560
Los Angeles, CA 90012

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I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

October 4, 2018	Jason D. Strabo	*/s/ Jason D. Strabo*
Date	*Printed Name*	*Signature*

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Attorneys for Verity MOB Financing LLC and Verity MOB Financing II LLC

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *ET AL.*,

Debtors.

CASE NO. 2:18-bk-20151-ER
Jointly Administered
Chapter 11 Cases

RESPONSE OF VERITY MOB FINANCING LLC AND VERITY MOB FINANCING II LLC WITH RESPECT TO OBJECTION TO DEBTORS' PROPOSED FORM OF ORDER ON MOTION OF DEBTORS FOR FINAL ORDERS (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

Verity MOB Financing LLC and Verity MOB Financing II LLC (collectively, "MOB Financing Entities"), with respect to the MOB Financing,[1] hereby submit this response to the *Objection to Debtors' Proposed Form of Order on Motion of Debtors for Final Orders (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* [Docket No. 398] (the "Objection") filed by UMB Bank, N.A., as successor master indenture trustee (the "Master Trustee"), and Wells Fargo Bank, National Association, as indenture trustee for the Series 2005 Bonds (the "Series 2005 Trustee"), and respectfully state as follows:

RESPONSE

1. The MOB Financing Entities support the proposed form of final order submitted by the Debtors with respect to their *Emergency Motion of Debtors for Interim and Final Orders (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* [Docket No. 31] (the "Financing Motion"). The MOB Financing Entities do not consent to, and oppose, the proposed form of final order submitted by the Master Trustee and Series 2005 Trustee.

2. The proposed form of order submitted by the Master Trustee and Series 2005 Trustee is inconsistent with the MOB Financing Entities' understanding of the Court's decision, serves to confuse rather than clarify the relative priorities of the parties, and appears to seek inappropriately to alter the agreement of the parties with respect to adequate protection rights, including by suggesting that non-parties to the inter-creditor agreement are somehow governed by it.

3. For these reasons, the MOB Financing Entities respectfully request that the Objection be overruled.

[1] Terms not otherwise defined herein shall have the meaning ascribed in the DIP Motion or Interim DIP Order (as defined herein).

Respectfully Submitted,

Dated: October 4, 2018

JONES DAY

By: */s/ Bruce S. Bennett*

Bruce S. Bennett
555 South Flower Street, 50th Floor
Los Angeles, California 90071

Counsel for Attorneys for Verity MOB Financing LLC and Verity MOB Financing II LLC

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:

Jones Day
555 South Flower Street, 50th Floor
Los Angeles, CA 90071

A true and correct copy of the foregoing document entitled (*specify*): RESPONSE OF VERITY MOB FINANCING LLC AND VERITY MOB FINANCING II LLC WITH RESPECT TO OBJECTION TO DEBTORS' PROPOSED FORM OF ORDER ON MOTION OF DEBTORS FOR FINAL ORDERS (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 October 4, 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:

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2. SERVED BY UNITED STATES MAIL:
On (*date*) October 4, 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.

- Claude D. Montgomery, Dentons US LLP, 1221 Avenue of the Americas, New York, NY 10020-1000
- Sam J. Alberts, Dentons US LLP, 1900 K Street NW, Washington, DC 20006-1100
- David W. Lively, Matthew P. James, Monique D. Jewett-Brewster, Hopkins & Carley, 70 S First Street, San Jose,
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- Marilyn Klinger, Ryan B. Luther, SMTO Law, LLP, 355 S. Grand Avenue, Suite 2450, Los Angeles, CA 90071
- John Ryan Yant, Carlton Fields Jorden Burt, P.A. 4221 W. Boy Scout Blvd., Suite 1000 Tampa, FL 33607-5780
- Clark Whitmore, Maslon LLP, 3300 Wells Fargo Center, 90 S 7th St, Minneapolis, MN 55402
- Megan Preusker, Nathan F Coco, McDermott Will & Emery, 444 West Lake Street, Chicago, IL 60606-0029

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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 10/4/18, 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 Delivery:
Honorable Ernest Robles
United States Bankruptcy Court for the Central District of California
Roybal Federal Building
255 E. Temple Street, Suite 1560
Los Angeles, CA 90012

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I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

10/4/2018	Chane Buck	/s/ *Chane Buck*
Date	*Printed Name*	*Signature*

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession.	Lead Case No. 2:18-bk-20151-ER 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-20181-ER
☒ Affects All Debtors ☐ Affects Verity Health System of California, Inc. ☐ Affects O'Connor ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	Chapter 11 Cases **NOTICE OF FILING OF EXHIBIT DESIGNATED AT HEARING ON MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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** Hearing Date: October 3, 2018 Time: 10:00 a.m. Place: Courtroom 1568

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THE HONORABLE ERNEST M. ROBLES, UNITED STATES BANKRUPTCY JUDGE FOR THE CENTRAL DISTRICT OF CALIFORNIA, AND ALL PARTIES ENTITLED TO NOTICE:

PLEASE TAKE NOTICE that Verity Health System of California, Inc. and the above-referenced affiliated debtors, the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the "Debtors") hereby submit a copy of the document presented to the Court, and designated on the record as Exhibit 1, during the October 3, 2018 hearing held on the *Emergency Motion of Debtors' for a 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. Sections 105, 363, 364, 1107 and 1108* [Docket No. 31] (the "DIP Hearing"). The Debtors attach hereto as **Exhibit 1** a true and correct copy of the document designated as Exhibit 1 at the DIP Hearing.

Dated: October 4, 2018

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TANIA M. MOYRON

By */s/Tania M. Moyron*
Tania M. Moyron

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EXHIBIT 1

EXHIBIT 1

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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, 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 Chapter 11 Cases Hon. Ernest M. Robles
☒ Affects All Debtors ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☐ Affects St. Francis Medical Center ☐ Affects St. Vincent Medical Center ☐ Affects Seton Medical Center ☐ Affects O'Connor Hospital Foundation ☐ Affects Saint Louise Regional Hospital Foundation ☐ Affects St. Francis Medical Center of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC Debtors and Debtors In Possession.	**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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Upon the emergency motion (the "***DIP Motion***")[1], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") following conclusion of the interim hearing (the "Interim Hearing") authorizing the Debtors, on an interim basis, and following the conclusion of a final hearing (the "***Final Hearing***") on the DIP Motion, for entry of a final order (the "***Final Order***") authorizing the Debtors, on a final basis ~~authorizing the Debtors~~ to, among other things: *inter alia*:

(i) Obtain senior secured post-petition financing (the "***DIP Financing***" or "***DIP Facility***") pursuant to the terms and conditions of the DIP Financing Agreements (as defined below), the Interim Order, and this Final Order, pursuant to sections 364(c)(1), 364(d), and 364(e) of the Bankruptcy Code and Rule 4001(c) of the Bankruptcy Rules;

(ii) Enter into a Debtor-in-Possession Credit Agreement (the "***DIP Credit Agreement***"), substantially in the form attached as Exhibit 2 to the Supplemental Chou Declaration ("**Supp. Chou Decl**.") [Docket 309--2], and other related financing documents (together with the DIP Credit Agreement and DIP Security Agreement, the "***DIP Financing Agreements***"), by and among each of the Debtors and Ally Bank ("***Ally***"), in its capacity as agent ("***DIP Agent***") and in its capacity as lender ("***DIP Lender***,") under the DIP Credit Agreement;

[1] Capitalized terms used herein and not otherwise defined shall have the meaning ascribed in the DIP Motion.

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(iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements, postpetition financing of up to $30,000,000 on a revolving basis (the "***Interim DIP Loan***") and seek other financial accommodations from the DIP Agent and DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and the Interim Order;

(iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition financing of up to an additional $155,000,000, for a total of up to $185,000,000, on a revolving basis, which includes the Interim DIP Loan (the "***Final DIP Loan***," and together with the Interim DIP Loan, the "***DIP Loan***") and seek other financial accommodations from the DIP Agent and DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this Final Order;

(v) Execute and deliver the DIP Credit Agreement and the other DIP Financing Agreements;

(vi) Grant the DIP Agent and DIP Lender allowed super-priority administrative expense claims, pursuant to section 364(c)(1) of the Bankruptcy Code, in each of the Chapter 11 Cases and any Successor Cases (as defined below) for the DIP Financing and all obligations of the Debtors owing under the DIP Financing Agreements (collectively, and including all "***Obligations***" of the Debtors as defined and described in the DIP Credit Agreement, the "***DIP Obligations***") subject only to the Carve Out (defined below) as set forth below;

(vii) Grant the DIP Agent and DIP Lender automatically perfected first priority senior security interests in and liens on all of the DIP Collateral (as defined below) pursuant to section 364(d)(1) of the Bankruptcy Code, which liens shall not be subordinate to any other liens, charges, security interests or surcharges under section 506(c) or any other section of the Bankruptcy Code, with the exception of the Carve Out (defined below) as set forth below;

(viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in accordance with the 13 week budget , as updated from time to time attached as Exhibit 1, Supp. Chou Decl. (the "***DIP Budget***") and as otherwise provided in the DIP Financing Agreements, the Interim Order and this Final Order;

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(ix) Provide adequate protection to certain of the Prepetition Secured Creditors (defined herein) and McKesson (defined herein) pursuant to the terms of this Final Order for any diminution in value of their respective interests in the Prepetition Collateral or VMF Collateral (each as defined herein) resulting from the DIP Liens (as defined herein) on the Prepetition Collateral or VMF Collateral, subordination to the Carve Out (as defined herein), or Debtors' use, sale, or lease of Prepetition Collateral or VMF Collateral, including cash collateral within the meaning of 11 U.S.C. §363(a) (such cash collateral that is Prepetition Collateral or VMF Collateral hereafter defined as "***Cash Collateral***");

(x) Grant authorization based upon the consent of the Prepetition Secured Creditors and McKesson to use of Cash Collateral in accordance with the DIP Budget upon the terms and conditions set forth herein;

(xi) Vacate and modify the automatic stay imposed by section 362 of the Bankruptcy Code solely to the extent necessary to implement and effectuate the terms of the DIP Financing Agreements, the Interim Order, and this Final Order;

(xii) Following the conclusion of a final hearing (the "***Final Hearing***") to consider entry of an order (the "***Final Order***") ~~Granting~~granting all other relief requested in the DIP Motion on an interim and final basis; and

(xiii) Waive any applicable stay as provided in the Bankruptcy Rules (expressly including Rule 6004) and provide for immediate effectiveness of this Final Order.

The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief Financial Officer filed in support of the DIP Motion and Rich Adcock, Chief Executive Office filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Motion, the DIP Financing Documents, and the Supplemental Declaration of Anita Chou in Support of Debtors' Reply in Support of the DIP Motion, and the exhibits attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the Interim Hearing and the *Final Hearing*; and due and proper notice of the DIP Motion, the Interim Hearing, entry of the Interim Order, and Final Hearing having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and

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LBR 4001-2 and no other or further notice being required under the circumstances; and the Interim Hearing and Final Hearing having been held and concluded; and it appearing that approval of the ~~and~~ final relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors and is otherwise fair and reasonable and in the best interests of the Debtors, their estates and their creditors, and is essential for the preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this Final Order having been withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[2]

A. **Petition Date**. On August 31, 2018 (the "***Petition Date***"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Central District of California (the "***Court***"). The Debtors have continued in the management and operation of their businesses and properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

B. **Jurisdiction and Venue**. This Court has jurisdiction over the Cases, the DIP Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334(b), and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2). Venue for these Chapter 11 Cases and proceedings on the DIP Motion is proper before this district pursuant to 28 U.S.C. §§ 1408 and 1409.

C. **Committee Formation.** The Office of the United States Trustee (the "***U.S. Trustee***") provided notice of the appointment of an official committee of unsecured creditors in

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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these Cases pursuant to section 1102 of the Bankruptcy Code, the members of which are identified by the Office of the United States Trustee in that Notice of Appointment and Appointment of Committee of Creditors Holding Unsecured Claims dated September 17, 2018 [Docket No 197] (the "***Committee***").

D. **Notice**. The Court entered the Interim Order on September 6, 2018 [Docket 86]. Notice of entry of the Interim Order and Notice of the Final Hearing ~~and~~ on the DIP Motion [Docket 201] has been provided by the Debtors to: (i) the Office of the United States Trustee for the Central District of California (the "***U.S. Trustee***"); (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis; (vi) counsel to each of the Prepetition Secured Creditors (as defined below); (vii) counsel to the DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for the State of California, Charities Division; (ix) proposed counsel to the Committee; and (x) all other parties known to assert a lien on any of the Debtors' assets. Under the circumstances, such notice of the Final Hearing and the DIP Motion constitute due, sufficient and appropriate notice and complies with sections 102(1) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b), and the Local Rules, and no other or further notice is required under the circumstances.

E. **Findings Regarding Corporate Authority**. As set forth in the resolutions accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate power and authority to execute and deliver the DIP Financing Agreements to which it is a party, to grant the DIP Liens (as defined herein) and to perform its obligations thereunder.

F. **Intercreditor Agreement**. Pursuant to section 510(a) of the Bankruptcy Code, the Second Amended and Restated Intercreditor Agreement dated December 1, 2017 (the "***Intercreditor Agreement***") and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect, with respect to prepetition and post-petition assets of the Debtors as provided thereunder, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors

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(including the relative priorities, rights and remedies of such parties with respect to the Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable, by the Debtors under the Interim Order, this Final Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of this Final Order or the DIP Financing Agreements, unless expressly set forth herein.

G. **Prepetition Secured Credit Facilities**. As of the Petition Date, the Debtors were indebted and liable to the Prepetition Secured Creditors as follows:

(i) UMB Bank, N.A., ("***UMB Bank***") as successor Master Trustee (in such capacity, the "***Master Trustee***") under the Master Trust of Trust dated as of December 1, 2001, as amended and supplemented (the "***Master Indenture***") with respect to the MTI Obligations (defined below) securing the repayment by the Obligated Group (defined below) of its loan obligations with respect to (1) the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "***2005 Bonds***"), (2) the California Public Finance Authority Revenue Notes (Verity Health System) Series 2015 A, B, C and D (the "***2015 Working Capital Notes***"), and (3) the California Public Finance Authority Revenue Notes (Verity Health System) Series 2017 A and B (the "***2017 Working Capital Notes***" and, collectively with the 2015 Working Capital Notes, the "***Working Capital Notes***"). The joint and several obligations issued under the Master Indenture by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center and Seton Medical Center (collectively, the "***Obligated Group***") in respect of the 2005 Bonds and the Working Capital Notes are collectively referred to as the "***MTI Obligations***". Wells Fargo Bank National Association ("***Wells Fargo***") serves as bond indenture trustee under the bond indentures relating to the 2005 Bonds. U.S. Bank National Association ("***U.S. Bank***") serves as the note indenture trustee and as the collateral agent under each of the note indentures relating to the 2015 Working Capital Notes and the 2017 Working Capital Notes, respectively. The MTI Obligations are secured by, inter alia, security interests granted to the Master Trustee in the prepetition accounts of, and mortgages on the principal real estate assets of, the members of the Obligated Group.

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In addition to the security provided to the Master Trustee to secure the MTI Obligations, U.S. Bank, as Note Trustee for the 2015 Working Capital Notes and the 2017 Working Capital Notes is secured by prepetition first priority liens upon and security interests in the Obligated Group's accounts and deeds of trust on the principal real estate assets of Saint Louise Regional Hospital and St. Francis Medical Center (collectively, the "***Priority Collateral***"). U.S. Bank as Notes Trustee for the 2017 Working Capital Notes has also been granted a deed of trust, dated as of December 1, 2017, by Verity Holdings in certain real property located in San Mateo California (the "***Moss Deed of Trust***") to further secure the 2017 Working Capital Notes.

(ii) Verity MOB Financing, LLC and Verity MOB Financing II, LLC (together, the "***MOB Lenders***") hold security interests in Verity Holdings' accounts, including rents arising from the prepetition MOB Financing, and mortgages on medical office buildings owned by Verity Holdings (the "***MOB Financing***").

The Master Trustee, Wells Fargo as bond indenture trustee for the 2005 Notes, U.S. Bank as Note Trustee for the Working Capital Notes, and the MOB Lenders are collectively hereafter referred to as the "***Prepetition Secured Creditors***;" the MTI Obligations, the Obligated Group's loan obligations with respect to the Working Capital Notes and the MOB Financing are hereinafter referred to as the "***Prepetition Secured Obligations***;" the prepetition interests (including the liens and security interests) of each Prepetition Secured Creditor in the property and assets of the Debtors are hereinafter referred to as the "***Prepetition Liens***;" and the documents, writings and agreements evidencing the Prepetition Secured Obligations are hereinafter referred to as the "***Prepetition Secured Documents***".

H. **Prepetition Secured Trade Vendor Arrangement**. Prior to the Petition Date, Debtor Verity Medical Foundation ("***VMF***") entered into agreements for the sole source purchasing of certain critical chemotherapy and other pharmaceutical products and medical-surgical products with McKesson Corporation and certain affiliates ("***McKesson***"), and on or about March 27, 2018 granted to McKesson a prepetition perfected security interest ("***VMF Liens***") in VMF tangible and intangible personal property, including accounts (the "***VMF Collateral***"), but such perfected security interest excluded VMF cash (to the extent such cash does

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not represent proceeds of the VMF Collateral), personal property requiring possession for perfection and real property interests. As of the Petition Date, McKesson was owed approximately $3,055,000.00 (the "***McKesson Prepetition Debt***"). Postpetition, and subject to McKesson's internal credit review and approval process, McKesson has agreed to resume providing certain secured trade credit to VMF and the physician practices ordering through VMF for the purchase of pharmaceutical and medical-surgical products on 30 days from invoice payment terms (the "***McKesson Post-Petition Trade Credit***"). The McKesson Post-Petition Trade Credit will continue to be secured by the VMF Liens.

I. **Prepetition Collateral**. In order to secure the Prepetition Secured Obligations and the Prepetition Secured Trade Vendor Arrangement (as described in paragraph H above), the Debtors, excluding the Philanthropic Foundations, granted the Prepetition Liens and the VMF Liens to the Prepetition Secured Creditors and McKesson, respectively as provided and described in the Prepetition Secured Documents and the documents pertaining to the VMF Collateral. The assets subject to the Prepetition Liens (the "***Prepetition Collateral***") and the VMF Collateral constitute substantially all of the assets of the Debtors, excluding cash and assets of the Philanthropic Foundations.

J. **Prepetition Agreements to Pay Special Assessments.** Seton Medical Center, a Debtor, ("***SMC***") and California Statewide Communities Development Authority ("***CSCDA***") entered into an (i) Agreement to Pay Assessment and Finance Improvements dated May 11, 2017 under the CSCDA CaliforniaFirst Program ("***Clean Fund Agreement to Pay Assessment***"), and (ii) Agreement to Pay Assessment and Finance Improvements dated May 18, 2017 under the CSCDA CaliforniaFirst Program ("***Petros Agreement to Pay Assessment***", collectively, with Clean Fund Agreement to Pay Assessment, the "***Assessment Agreements*** "), each for the limited purpose of providing financing for certain renewable energy, energy efficiency, water efficiency and seismic improvements permanently affixed to real property owned by SMC located in Daly City, California under the CSCDA CaliforniaFirst Program in the aggregate amount of $40,000,000. As of the Petition Date, after payment of tax exempt bond issuance fees for the Clean Fund Bonds and the NR2 Petros Bonds (each as defined in the DIP Motion) and retention

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of capitalized interest reserves approximately $34,379,450 is being held for authorized improvements (the "***Program Funds***") by Wilmington Trust N.A. ("***WTNA***") as indenture trustee, pursuant to, *inter alia*, the terms of two Indentures between CSCDA and WTNA dated as of May 11, 2017 and May 18, 2017 and the Assessment Agreements. Notwithstanding SMC's status as a tax exempt California not for profit corporation, SMC agreed and consented to the CSCDA special tax assessments imposed pursuant to and under the Assessment Agreements (the "***CSCDA Special Assessments***"). The Debtors acknowledge that the CSCDA Special Assessments have the same lien priority and methods of collection as general municipal taxes on real property. Notices of Assessment and Payment of the Special Assessments were recorded in the official records of the County of San Mateo against the real property owned by SMC and consented to by the Prepetition Secured Creditors. The Debtors acknowledge that the Program Funds and other proceeds of the issuance of the Clean Fund Bonds or NR2 Petros Bond which are being held by WTNA are not property of the Debtors' estates, and are not subject to the Prepetition Liens, the DIP Liens, or the Prepetition Replacement Liens.

K. **Findings Regarding the Postpetition Financing**.

(i) **Consensual Priming of the Prepetition Liens**. The priming of the Prepetition Liens of the Prepetition Secured Creditors on the Prepetition Collateral, and the VMF Liens on the VMF Collateral under section 364(d) of the Bankruptcy Code, as contemplated by the DIP Financing Agreements, as authorized by the Interim Order and this Final Order, and as further described below, is consented to by the Prepetition Secured Creditors and McKesson, and will enable the Debtors to continue borrowing under the DIP Facility and to continue operating their businesses for the benefit of their estates and creditors. The Prepetition Secured Creditors and McKesson are each entitled to receive adequate protection as set forth in this Final Order pursuant to sections 361, 363, and 364 of the Bankruptcy Code, for any Diminution in Value (as defined herein) of each of their respective interests in the Prepetition Collateral (including Cash Collateral) or VMF Collateral.

(ii) **Good Cause; Need for Postpetition Financing**. Good cause has been shown for the entry of this Final Order. An immediate and continuing need exists for the Debtors

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to obtain funds from the DIP Loan in order to continue operations, continue to serve the Debtors mission to provide vital, lifesaving patient care for vulnerable populations and to administer and preserve the value of their estates. The ability of the Debtors to finance their operations, to preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors requires the availability of working capital from the DIP Loan, the absence of which would immediately and irreparably harm the Debtors, their estates and their creditors and the possibility for a successful reorganization or sale of the Debtors' assets as a going concern or otherwise. The proposed DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

(iii) **No Credit Available on More Favorable Terms**. The Debtors have been unable to obtain (a) unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense, (b) credit for money borrowed secured solely by a lien on property of the estate that it not otherwise subject to a lien, (c) credit for money borrowed secured by a junior lien on property of the estate which is subject to a lien, (d) or credit otherwise on more favorable terms and conditions than those provided in the DIP Credit Agreement and this Final Order. The Debtors are unable to obtain credit for borrowed money without granting to the DIP Agent and DIP Lender the DIP Protections (as defined below).

L. **Use of Proceeds of the DIP Facility.** Proceeds of the DIP Facility (net of any amounts used to pay fees, costs and expenses under the DIP Financing Agreements) are to be utilized by the Debtors until the DIP Facility Termination Date in accordance with the DIP Budget and in a manner consistent with the terms and conditions of the DIP Credit Agreement, and this Final Order.

M. **Application of Sale Proceeds of DIP Collateral.** As ~~Provided~~provided by the Interim Order, this Final Order and the DIP Credit Agreement, the DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property, including, without limitation, the Healthcare Facilities (as defined in the DIP Credit Agreement) and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The Sale Proceeds shall be held in escrow in one or more deposit accounts subject to a deposit account

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control agreement in favor of the DIP Agent (the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled with any other funds of the selling Debtor, the Sale Proceeds of any other Debtor or otherwise. The DIP Agent is granted a first priority lien on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Agent and the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors subject to any Prepetition Liens, VMF Liens, Prepetition Replacement Liens and VMF Replacement Liens; provided, however, that upon any Debtor's request and with the consent of the DIP Agent and DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors or McKesson on terms and conditions that are acceptable to the DIP Agent and DIP Lender in its sole discretion and upon further order of this Court.

N. **Adequate Protection for Prepetition Secured Creditors and McKesson.** The priming of the Prepetition Secured Creditors' Prepetition Liens and the VMF Liens to the extent set forth in the Interim Order and ~~This~~this Final Order, pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens and the VMF Liens set forth below, the Prepetition Secured Creditors and McKesson shall be entitled to receive adequate protection, as set forth in this Final Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests in the Prepetition Collateral or VMF Collateral resulting from, among other things, the subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of such Prepetition Collateral or VMF Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition

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Date (collectively, and solely to the extent of such diminution in value, the "***Diminution in Value***"). As to the VMF Collateral, any adequate protection, as set forth in this Final Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any Diminution in Value of Prepetition Secured Creditors' interests in the Prepetition Collateral are subordinated to any similar adequate protection provided to McKesson. VMF shall also pay McKesson (A) $3,055,000.00 in satisfaction of the balance of McKesson's Prepetition Secured Debt on the following schedule: (1) October 5, 2018 - $1,700,000.00; (2) October 26, 2018 - $700,000.00; and (3) November 2, 2018 - $655,000.00 (plus McKesson's attorneys' fees and costs incurred through October 31, 2018) (the "***McKesson Secured Payments***"). The McKesson Secured Payments will be included within the DIP Budget line item for Debtors' critical vendor program. Payment of McKesson's attorneys' fees will be included in the DIP Budget line item for Prepetition Secured Creditor Adequate Protection Payments. The Prepetition Secured Creditors have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral to help fund the administration of the Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the record presented to the Court at the Interim Hearing and the Final Hearing, the terms of the proposed adequate protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Creditors and McKesson; provided, however, that nothing herein shall limit the rights of any of the Prepetition Secured Creditors or McKesson to hereafter seek new, additional, or different adequate protection; provided further, that nothing herein shall limit the rights of all parties in interest to assert or challenge any determination or assertion with respect to the existence or quantification of any Diminution of Value.

O. **Extension of Financing**. The DIP Agent and DIP Lender have indicated a willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement.

P. **Business Judgment and Good Faith Pursuant to Section 364(e).**

(i) . The terms and conditions of the DIP Facility and the DIP Financing Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best

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available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

(ii) The DIP Financing Agreements were negotiated in good faith and at arms' length between the Debtors, the DIP Agent and the DIP Lender;

(iii) The proceeds to be extended under the DIP Facility will be so extended in good faith, and for valid business purposes and uses; and

(iv) Each of the DIP Agent and DIP Lender has acted to date and is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit Agreement and the other DIP Financing Agreements. The DIP Agent's and DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to the Interim Order, this Final Order and the DIP Financing Agreements will not be affected or avoided by any subsequent reversal or modification of this Final Order, as provided in section 364(e) of the Bankruptcy Code.

Q. **Relief Essential; Best Interest; Good Cause**. The relief requested in the DIP Motion (and as provided in this Final Order) is necessary, essential, and appropriate for the preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors' estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement. Good cause has been shown for the relief requested in the DIP Motion (and as provided in this Final Order).

R. **Consent to Use of Cash Collateral**. Each of the Prepetition Secured Creditors and McKesson have consented to the use of their respective interests in Cash Collateral, subject to the terms and conditions set forth in this Order.

NOW, THEREFORE, on the DIP Motion and the record before this Court with respect to the DIP Motion, including the record created during the Interim Hearing and the Final Hearing, and with the consent of the Debtors, the Prepetition Secured Creditors and the DIP Agent and DIP Lender to the form and entry of this Final Order, and good and sufficient cause appearing therefor,

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IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. **Motion Granted**. The DIP Motion is granted on ~~an interim~~a final basis in accordance with the terms and conditions set forth in this Final Order and the DIP Credit Agreement. Any objections to the DIP Motion with respect to entry of this Final Order to the extent not withdrawn, waived or otherwise resolved, and all reservations of rights included therein, are hereby denied and overruled.

2. **DIP Financing Agreements.**

(a) **Approval of Entry into DIP Financing Agreements**. The Debtors are authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Final Order and the DIP Financing Agreements, and to execute and deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Financing Agreements and the creation and perfection of the DIP Liens described in and provided for by this Final Order and the DIP Financing Agreements. The Debtors are hereby authorized and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and other amounts described in the DIP Financing Agreements as such amounts become due and payable without need to obtain further Court approval, including closing fees, unused line fees, administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, and whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in this Final Order or the DIP Financing Agreements. All collections and proceeds, whether from ordinary course collections, asset sales, debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Final Order and the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, including, without limitation, commitment fees and reasonable attorneys' fees

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and disbursements as provided for in the DIP Credit Agreement, which amounts shall not otherwise be subject to approval of this Court,. The Debtors shall pay the deferred balance of the commitment fee required by section 2.9(a) of the DIP Credit Agreement upon entry of this Final Order.

(b) **Authorization to Borrow and/or Guarantee**. To enable them to continue to preserve the value of their estates and dispose of their assets in an orderly fashion, during the period prior to termination of the DIP Credit Agreement and subject to the terms and conditions of this Final Order, upon the execution of the DIP Credit Agreement and the other DIP Financing Agreements the Debtors are hereby authorized to borrow the DIP Loan up to a total committed amount of $185,000,000 under the DIP Financing Agreements.

(c) **Conditions Precedent.** Neither the DIP Agent nor the DIP Lender have any obligation to make the DIP Loan or any loan or advance under the DIP Credit Agreement unless the conditions precedent to making such loan under the DIP Credit Agreement have been satisfied in full or waived by the DIP Agent and DIP Lender in their sole discretion.

(d) **DIP Collateral; DIP Liens**. Effective immediately upon the entry of this Final Order, on account of the DIP Loan, the DIP Agent shall be and is hereby granted first-priority security interests and liens (which shall immediately be valid, binding, permanent, continuing, enforceable, perfected and non-avoidable) on all of the Debtors' property, including, without limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or after the Petition Date (collectively, the "***DIP Collateral***," and all such liens and security interests granted on or in the DIP Collateral pursuant to this Final Order and the DIP Financing Agreements, the "***DIP Liens***"), but shall exclude the Program Funds, and proceeds of the Clean Fund Bonds and NR2 Petros Bonds held by WTNA, donor restricted funds held at Philanthropic Foundations, Avoidance Actions (defined below) and any proceeds thereof and any funds held by the Prepetition Secured Creditors (set forth on **Exhibit 1** to the Chou Decl.), provided, however, for the avoidance of doubt, any amounts held in accounts owned by the Debtors, whether or not such accounts are subject to control agreements in favor of the Prepetition Secured Creditors, shall constitute DIP Collateral. The DIP Collateral shall not be subject to any surcharge under section

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506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this Court.

(e) **DIP Lien Priority**. Subject only to the Carve Out (as defined below) and the prepetition tax lien arising in connection with the CSCDA Special Assessments, the DIP Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing, enforceable, non-avoidable first priority senior priming liens and security interests on the DIP Collateral, and shall prime all other liens and security interests on the DIP Collateral, including any liens and security interests in existence on the Petition Date against the Prepetition Collateral and VMF Collateral, and any other current or future liens granted on the DIP Collateral, including any adequate protection or replacement liens granted on the DIP Collateral (collectively, the "***Primed Liens***") (other than the Debtors' claims and causes of action under sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar actions under the Bankruptcy Code or similar state law (the "***Avoidance Actions***"), whether received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens shall not be made subject to, subordinate to, or *pari passu* with any lien or security interest by any court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid and enforceable against any trustee appointed in the Chapter 11 Cases, upon the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (any "***Successor Cases***"), and/or upon the dismissal of any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

(f) **Enforceable Obligations**. The DIP Financing Agreements shall constitute and evidence the valid and binding obligations of the Debtors, which obligations shall be enforceable against the Debtors, their estates and any successors thereto and their creditors or representatives thereof, in accordance with their terms.

(g) **Protection of DIP Agent, DIP Lender and Other Rights**. From and after the Petition Date, the Debtors shall use the proceeds of the extensions of credit under the DIP

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Facility only for the purposes specifically set forth in the DIP Credit Agreement and this Final Order and in strict compliance with the DIP Budget (subject to any variances thereto permitted by the DIP Credit Agreement).

(h) **Additional Protections of DIP Agent and DIP Lender: Superpriority Administrative Claim Status**. Subject to the Carve Out (as defined below), all DIP Obligations shall constitute an allowed superpriority administrative expense claim (the "***DIP Superpriority Claim***" and, together with the DIP Liens, the "***DIP Protections***") with priority in all of the Chapter 11 Cases and Successor Cases over all other administrative expense claims under sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any other provision of the Bankruptcy Code except as otherwise set forth herein, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment. The DIP Superpriority Claim shall be payable from and have recourse to all prepetition and post-petition property of the Debtors and all proceeds thereof. Without limiting the foregoing, the DIP Superpriority Claim shall not be made subject to, subordinate to, or *pari passu* with any other administrative claim in the Chapter 11 Cases or Successor Cases, except for the Carve Out (as defined below). Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Cases, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Final Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Final Order and

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terminating upon the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

4. **Application of Sale Proceeds of DIP and Prepetition Secured Creditor Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code, the Interim Order, this Final Order and the DIP Financing Agreements, to the Sale Proceeds. The Sale Proceeds shall be allocated by Debtors and held in escrow in the Escrow Deposit Accounts. Funds held in any Escrow Deposit Account shall not be commingled with any other funds of the applicable Debtor or any of the other Debtors and, without limitation of the rights of the DIP Agent and DIP Lender under the DIP Financing Agreements and this Final Order with respect to the Sale Proceeds and Escrow Deposit Account, including, without limitation, following the occurrence of an Event of Default or the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the Debtors shall not be permitted to use Cash Collateral of any of the Prepetition Secured Creditors held in any Escrow Deposit Account for any purpose without first obtaining the consent of the applicable Prepetition Secured Creditor or obtaining an order of the Court pursuant to Section 363 of the Bankruptcy Code after notice and a hearing. The DIP Agent is granted a first priority lien on the Escrow Deposit Accounts and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Agent may apply amounts held in Escrow Deposit Accounts to the outstanding DIP Obligations due under the DIP Credit Agreement. Without limiting the foregoing, and subject and subordinate in all respects to the first priority priming DIP Lien and Prepetition Replacement Liens to the extent set forth in this Final Order, the Prepetition Secured Creditors' Prepetition Liens shall be deemed to attach to the Escrow Deposit Accounts and the Sale Proceeds with the same relative priority, validity, force, extent and effect as the Prepetition Liens attached to the Prepetition Collateral giving rise to such Sale Proceeds. Each of the Prepetition Secured Creditors shall have the right to seek a declaration of their respective rights in and to any of the Sale

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Proceeds and funds held in a Deposit Escrow Account, consistent with and subject to the terms and conditions of this Final Order and the DIP Financing Agreements, and the Court shall determine all such disputes in accordance with this Final Order, the DIP Financing Agreements, the Prepetition Secured Documents, and applicable law.

5. **Adequate Protection for Prepetition Secured Creditors**. As adequate protection for the interests of the Prepetition Secured Creditors in the Prepetition Collateral and McKesson in the VMF Collateral, on account of the granting of the DIP Liens, subordination to the Carve Out (as defined below), any Diminution in Value arising out of the Debtors' use, sale, or disposition or other depreciation of the Prepetition Collateral, including Cash Collateral or the VMF Collateral, resulting from the automatic stay, the Prepetition Secured Creditors and McKesson shall receive adequate protection as follows:

(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 ~~securing the DIP Obligations~~, (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 and junior to (i) the Carve Out, (ii) the

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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. 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. 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.

(b) **Adequate Protection Payments and Protections**. So long as there is no Default or Event of Default under the Interim Order, this Final Order, or the DIP Financing Agreements, the Debtors are also authorized and directed to provide (I) to the Prepetition Secured Creditors monthly adequate protection payments equal to (A) the amount of postpetition, non-default contractual interest on the outstanding balances of the Prepetition Secured Obligations, provided that reference to the non-default contractual rate of interest shall not include any Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents, plus (B) monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee, respectively, and (C) reimbursement of reasonable attorney's fees for one set of attorneys for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master

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Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB Financing; and (II) payments by the Debtors to McKesson consistent with certain terms of the interim and final orders authorizing the Critical Vendor Program (as defined in the Debtors First Day Motions) in an amount of $3,055,000.00 (collectively I and II are the "***Prepetition Adequate Protection Payments***"). Notwithstanding the foregoing, to the extent the Court enters a final and non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code, that the Prepetition Adequate Protection Payments under (I) and (II) above are not properly entitled to payment of interest and fees on one or more of the respective Prepetition Secured Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-characterized as payment(s) applied to the principal amount of the respective Prepetition Secured Obligations.

(c) **McKesson Secured Payments.** As set forth herein, so long as no Revolving Loan Termination Event has occurred under the DIP Credit Agreement, the Debtors are hereby authorized and directed to make all McKesson Secured Payments on or before their respective due dates and are authorized to make payments on McKesson's Post-Petition Trade Credit, on the terms agreed to between McKesson and the Debtors provided herein.

(d) **Prepetition Superpriority Claim**. To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below, an allowed superpriority administrative expense claim (the "***Prepetition Superpriority Claims***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims

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against the Debtors and their estates, now existing or hereafter arising of any kind or nature whatsoever including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552, 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of this Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition Superpriority Claim 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 have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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 Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

(e) **Validity, Perfection and Amount of Prepetition Liens**. The Debtors further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the Prepetition Secured Obligations on the Prepetition Collateral and the VMF Liens on the VMF Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition Secured Creditors and McKesson, (b) the Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral

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except the prepetition tax lien arising in connection with the CSCDA Special Assessments, and (c) the VMF Liens were senior in priority over any and all other Liens on VMF Collateral. The findings and stipulations set forth in this Final Order with respect to the validity, enforceability and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and all of their successors in interest and assigns, including the Committee, unless, and solely to the extent that, a party in interest with requisite standing and authority (other than the Debtors, as to which any Challenge (as defined below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens (each such proceeding or appropriate pleading commencing a proceeding or other contested matter, a "***Challenge***") within ninety (90) days from the formation of the Committee (the "***Challenge Deadline***"); *provided* that for purposes of filing a Challenge, the Committee shall be deemed to have standing to file the requisite pleading without further a order of the Court; and *provided further*, that the "Challenge Deadline" for matters solely relating to the value of the Prepetition Collateral may be further extended to such time as may be agreed by stipulation among the Debtors, the Committee and the Prepetition Secured Creditors or as further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be amended upon further order of this Court and the consent of both the Prepetition Secured Creditors, the DIP Agent and the DIP Lender. The Debtors shall not use the Prepetition Collateral, VMF Collateral or their proceeds to investigate or prosecute claims against the Prepetition Secured Creditors or McKesson, including Avoidance Actions, *provided however* that the Committee may investigate the existence of such claims and have allowed fees paid from the Prepetition Collateral or VMF Collateral and the proceeds of the DIP Facility up to the amount of $100,000, *provided further however* that no Prepetition Collateral or VMF Collateral, the proceeds thereof or the proceeds of the DIP Facility may be used to prosecute claims against

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Prepetition Secured Creditors or McKesson. For the avoidance of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition Secured Creditors or McKesson from any Challenge raised by third parties, including the Committee, to the validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition Liens or the VMF Liens.

(f) **Sections 506(c) and 552(b)**. In light of the Prepetition Secured Creditors' and McKesson's' agreements that their Prepetition Liens and VMF Liens, respectively, shall be subject to the Carve Out and subordinate to the DIP Liens, the Prepetition Secured Creditors and McKesson are each entitled to a waiver of any "equities of the case" exception under section 552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the Bankruptcy Code.

(g) Nothing contained in this Final Order shall prevent the Prepetition Secured Creditors from application or use of the funds held thereby that are not DIP Collateral in accordance with the Prepetition Secured Documents. Each of the Prepetition Secured Creditors reserves the right to seek additional or further adequate protection from the Court. The Debtors and the Committee each reserves the right to object to any such request for additional or further adequate protection.

6. **Budget Maintenance**. The proceeds of the DIP Loan under the DIP Facility and the use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the DIP Financing Agreements and the DIP Budget. The DIP Budget shall be delivered to the DIP Agent with such supporting documentation as reasonably requested by the DIP Agent. The DIP Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the U.S. Trustee and counsel for the Prepetition Secured Creditors after it has been approved in accordance with the DIP Financing Agreements. The Debtors shall provide at least two (2) business days' notice to counsel for the Committee and the Prepetition Secured Creditors prior to the effective date of any change in the DIP Budget.

7. **Budget Compliance and Reporting**. The proceeds of the DIP Facility and the use of Cash Collateral shall be subject to, and used in accordance with, the terms and conditions of

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the DIP Financing Agreement and the DIP Budget (subject to the variances set forth therein). Debtors acknowledge and confirm that the DIP Budget includes the payment of CSCDA Special Assessments. The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the Committee, such information to include reasonably complete details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock Declaration, and such information to be timely provided, sufficient for the Prepetition Secured Creditors to file an objection with this Court on two business days' notice. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and binding confidentiality agreements, the Debtors shall provide to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors and the Committee information concerning (i) the Debtors' efforts to obtain debtor in possession financing proposals, including any proposals the Debtors received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted, copies of any proposals or expressions of interest, and other information concerning these matters as the DIP Agent or the Prepetition Secured Creditors may reasonably request.

8. **Postpetition Lien Perfection.** This Final Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens, the Prepetition Replacement Liens and the VMF Replacement Lien, and all rights granted in and to the Escrow Deposit Accounts and the Sale Proceeds, without the necessity of filing or recording any financing statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be required under the law of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement or obtaining possession of any possessory collateral) to validate or perfect the DIP Liens, Prepetition Replacement Liens

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or VMF Replacement Lien, or to entitle the DIP Liens, Prepetition Replacement Liens and VMF Replacement Lien the respective priorities granted herein. Notwithstanding and without limiting the foregoing, the DIP Agent may file such financing statements, mortgages, deeds of trust, notices of liens and other similar documents as it deems appropriate, and it is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, deeds of trust, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of the Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the DIP Agent and DIP Lender all such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents as the DIP Agent and DIP Lender may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents shall be considered DIP Financing Agreements for all intents and purposes. The DIP Agent, in its discretion, may file a certified copy of this Final Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the recording officer shall be authorized to file or record such copy of this Final Order. To the extent that any Prepetition Secured Creditor is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements, bailee letters, custom broker agreements, financing statement, account control agreements, or any other Prepetition Secured Documents or is listed as loss payee or additional insured under any of the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under such documents or to be the loss payee or additional insured, as applicable.

9. **Application of Proceeds of Collateral**. As a condition to the continued extension of credit under the DIP Facility and the continued authorization to use Cash Collateral, the Debtors have agreed that as of and commencing on the Closing Date the Debtors shall apply all

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advances under the DIP Facility, as follows: (i) *first*, to fund the day to day operations and general corporate purposes of the Debtors' estates; (ii) *second*, to pay the administrative expenses of the Chapter 11 Cases; and (iii) *third*, to make the Prepetition Adequate Protection Payments all in accordance with the DIP Budget.

10. **Proceeds of Subsequent Financing**. If the Debtors, any trustee, any examiner with expanded powers, or any responsible officer subsequently appointed in these Chapter 11 Cases or any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections 364(b), 364(c), or 364(d) or in violation of the DIP Financing Agreements at any time prior to the indefeasible repayment in full of all DIP Obligations and Prepetition Secured Obligations (to the extent such remain outstanding), and the termination of the DIP Agent's and the DIP Lenders' obligation to extend credit under the DIP Facility, including subsequent to the confirmation of any chapter 11 plan of reorganization with respect to any or all of the Debtors and the Debtors' estates, and such facility is secured by any DIP Collateral, then all the cash proceeds derived from such credit or debit shall immediately be turned over to the DIP Agent to be applied in accordance with this Final Order and the DIP Financing Agreements.

11. **Cash Collection**.

(a) From and after the date of the entry of this Final Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in accounts as specified in the DIP Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to time) (collectively, the "***Cash Collection Accounts***"), which accounts shall be subject to the sole dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP Agent that, unless a "Default" or an "Event of Default" under the DIP Credit Agreement has occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall be authorized to use such Cash Collateral in accordance with this Final Order. All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent

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for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the DIP Agent and the Prepetition Secured Creditors or as set forth in this Final Order, the Debtors shall maintain no accounts except those identified in the interim cash management order entered by the Court with respect thereto (the "***Cash Management Order***"), whether now existing or hereafter established. The Debtors and the financial institutions where the Debtors' Cash Collection Accounts are maintained (including those accounts identified in the Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent. To the extent that a Prepetition Secured Creditor's perfection in or control over bank accounts or investment accounts, including any funds or investments therein, may be affected by reason of the transfer of control to the DIP Agent or any agent of the DIP Lenders in accordance with this Final Order, the perfection and control rights of such Prepetition Secured Creditor therein shall be deemed to continue, subject to the senior, priming rights of the DIP Lender and the DIP Lien in such bank accounts or investment accounts, for so long as the DIP Obligations remain outstanding, and thereafter shall revert back to such Prepetition Secured Creditor.

(b) Notwithstanding anything in this Final Order or any of the DIP Financing Agreements, from and after the date of the entry of this Final Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall promptly be deposited into a depository account furnished by a depository bank acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject to the sole dominion and control of the DIP Agent (such account, the "***DIP Collateral Account***"). The Debtors' use of the proceeds in the DIP Collateral Account shall be subject to this Final Order and the DIP Financing Agreements.

12. **Maintenance of DIP Collateral**. Until the indefeasible payment in full of all DIP Obligations, all Prepetition Secured Obligations, and the termination of the DIP Agent's and the DIP Lenders' obligation to extend credit under the DIP Facility, the Debtors shall: (a) insure the DIP Collateral as required under the DIP Facility or the Prepetition Secured Documents, as

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applicable; and (b) maintain the cash management system in effect as of the Petition Date, as modified by the Cash Management Order and this Final Order, and maintain books and records sufficient to account for postpetition intercompany transfers in a manner required by the Cash Management Order and the DIP Credit Agreement at section 5.6 or as otherwise agreed to by the DIP Agent or otherwise required or permitted by the DIP Financing Agreements or this Final Order.

13. **DIP and Other Expenses**. The Debtors are authorized and directed to pay all reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent, (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as counsel to the DIP Agent), (2) the DIP Lenders in connection with the DIP Facility, as provided herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a proposed conversion of the DIP Facility into exit financing (including the preparation and negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured Creditors and McKesson, whether or not the transactions contemplated hereby are consummated, including attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, and indemnification and reimbursement of fees and expenses. Payment of all such fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors and McKesson shall not be required to comply with the U.S. Trustee fee guidelines; however, any time that such professionals seek payment of fees and expenses from the Debtors, each professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S. Trustee or the Committee, with respect to such invoices must be in writing and state with particularity the grounds therefor and must be submitted to the applicable professional within ten (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved, it will be subject to resolution by the Court. Pending such resolution, the undisputed portion of any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the Debtors are authorized and directed to pay on the Closing Date all reasonable and documented

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fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors incurred on or prior to such date without the need for any professional engaged by such parties to first deliver a copy of its invoice or other supporting documentation. No attorney or advisor to the DIP Agent, the DIP Lenders any Prepetition Secured Creditor or McKesson shall be required to file an application seeking compensation for services or reimbursement of expenses with the Court. Upon entry of this Final Order, any and all fees, costs, and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured Creditors and McKesson in connection with or with respect to these matters, were approved in full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the Debtors or any other person.

14. **Indemnification**. The Debtors shall indemnify and hold harmless the DIP Agent and the DIP Lenders in accordance with the terms and conditions of the DIP Credit Agreement.

15. **Right to Credit Bid**. The DIP Lender shall have the right, but not the obligation, to "credit bid" the DIP Obligations during any sale of the DIP Collateral, including without limitation, sales occurring pursuant to section 363 of the Bankruptcy Code or included as part of any reorganization plan subject to confirmation under section 1129(b)(2)(A)(iii) of the Bankruptcy Code. Subject to the indefeasible payment in full of the DIP Obligations, the Prepetition Secured Creditors shall have the right but not the obligation to credit bid the Prepetition Secured Obligations during any sale of the Prepetition Collateral, including without limitation, sales occurring pursuant to section 363 of the Bankruptcy Code.

16. **Carve Out**. The DIP Liens, DIP Superpriority Claim, and Prepetition Replacement Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the "***U.S. Trustee Fees***"), together with interest, if any, at the statutory rate; and (ii) all allowed claims for unpaid fees, costs and expenses incurred by persons or firms retained by the Debtors or the Committee, if any, whose retention is approved by the Court pursuant to any one or more of sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs

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and expenses are both (a) allowed by the Court pursuant to a final order, and (b) in accordance with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable time frame (the "***Carve Out Expenses***"); provided that the aggregate amount of such Carve Out Expenses shall not exceed (a) $2,000,000 with respect to persons or firms retained by the Debtors, and (b) $150,000 with respect to persons or firms retained by the Committee (collectively, the "***Carve Out Amount***"). Any payment or reimbursement made after the Carve Out Trigger Date in respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a dollar-for-dollar basis.

17. **Limitation of Use of Proceeds**. Notwithstanding anything set forth herein and except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses incurred in connection with initiating or prosecuting any claims, causes of action, adversary proceedings, or other litigation against the DIP Agent, the DIP Lender or any of the Prepetition Secured Creditors, including, without limitation, the assertion or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defenses or other contested matter, the purpose of which is to seek any order, judgment, determination or similar relief (i) invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in part, (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, (d) the VMF Liens or (e) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly or indirectly, the DIP Agent's, the DIP Lender's ~~or~~, the Prepetition Secured Creditors' or McKesson's assertion or enforcement of their liens or security interests or realization upon any DIP Collateral, Prepetition Collateral, or VMF Collateral, or (iii) prosecuting any Avoidance Actions against the DIP Agent, the DIP Lender, any Prepetition Secured Creditor or McKesson, or (iv) challenging the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the McKesson Prepetition Debt, or the adequate protection granted herein, *provided however*, that nothing in this Final Order shall limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors or McKesson as adequate protection payments.

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18. **Payment of Compensation.** Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any of the Debtors or the Committee or shall affect the right of the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson to object to the allowance and payment of such fees and expenses or to permit the Debtors to pay any such amounts not set forth in the DIP Budget.

19. **Section 506(c) Claims; Equities of the Case**. Nothing contained in this Final Order shall be deemed a consent by the DIP Agent, the DIP Lender or any Prepetition Secured Creditor to any charge, lien, assessment or claim against the DIP Collateral under Section 506(c) of the Bankruptcy Code or otherwise. The "equities of the case" exception under Section 552(b) of the Bankruptcy Code and surcharge powers under section 506(c) of the Bankruptcy Code are waived as to the Prepetition Creditors and all pre and postpetition collateral securing their claims.

20. **Collateral Rights.** Unless the DIP Agent and DIP Lender have provided their prior written consent or all DIP Obligations have been paid in full in cash (or will be paid in full in cash upon entry of an order approving indebtedness described in subparagraph (a) below), and all commitments by the DIP Agent and the DIP Lender to lend have terminated:

(a) The Debtors shall not seek entry, in these proceedings, or in any Successor Case, of any order which authorizes the obtaining of credit or the incurring of indebtedness that is secured by a security, mortgage, or collateral interest or other lien on all or any portion of the DIP Collateral and/or entitled to priority administrative status which is senior or *pari passu* to the DIP Liens granted to the DIP Lender pursuant to this Final Order, the DIP Financing Agreements or otherwise;

(b) The Debtors shall not consent to relief from the automatic stay by any person other than the DIP Agent with respect to all or any portion of the DIP Collateral without the express written consent of the DIP Agent and the DIP Lender; ~~and~~

(c) In the event that the Debtors seek entry of an order in violation of subsection (a) hereof, the DIP Agent and DIP Lender shall be granted relief from the automatic stay with respect to the DIP Collateral pursuant to the notice procedures set forth in this Order~~.~~; and

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(d) The Parties to the DIP Credit Agreement agree that the Final Order does not impair the claims, rights, or ability, if any, to recoup, setoff or otherwise recover Medicare overpayments related to prepetition services by a Debtor ("***Prepetition Medicare Overpayments***") of the United States, its agencies, departments, agents or entities (collectively, "***United States***") from the payments made to such Debtor for services rendered after the Petition Date ("***Postpetition Medicare Payments***"), in accordance with the Medicare statutes, regulations, policies and procedures. The Parties to the DIP Credit Agreement further agree that the Final Order does not impair the United States' claims, rights or ability, if any, to recoup, setoff or otherwise recover any other prepetition debt a Debtor may owe to the United States from the Postpetition Medicare Payments due such Debtor in accordance with applicable law.

21. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Agent and the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September ~~5~~7, 2019 (the "***Scheduled Termination Date***"); (ii) the date of revocation of this Final Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***"). The occurrence of the Commitment Termination Date, shall also constitute, subject to further Court order, termination of the Prepetition Secured Creditors' and McKesson consent to the Debtors' use of their prepetition Cash Collateral (the "**Carve Out Trigger Date**").

22. **Disposition of Collateral**. The Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the DIP Collateral, without the prior written consent of the

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DIP Agent and the DIP Lender (and no such consent shall be implied, from any other action, inaction or acquiescence by the DIP Agent or the DIP Lender or an order of this Court), except as provided in the DIP Financing Agreements and this Final Order and approved by the Court to the extent required under applicable bankruptcy law. Nothing herein shall prevent the Debtors from making sales in the ordinary course of business to the extent consistent with the DIP Budget and as permitted in the DIP Financing Agreements.

23. **Events of Default.** The occurrence of a "Default" or an "Event of Default" pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the "Bankruptcy Defaults" enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of default under this Final Order, unless expressly waived in writing in accordance with the consents required in the DIP Financing Agreements.

24. **Rights and Remedies Upon Event of Default.**

(a) Any otherwise applicable automatic stay is hereby modified so that after the occurrence of any Event of Default and at any time thereafter during the continuance of such Event of Default, the DIP Agent and the DIP Lender shall be entitled to exercise its rights and remedies with respect to the Debtors and the DIP Collateral provided in the DIP Financing Agreements and by applicable law, including, without limitation, foreclosing on and selling the DIP Collateral, without the need for further court approval or the consent of any other party.

(b) Notwithstanding the preceding paragraph, immediately following the giving of notice by the DIP Agent of the occurrence and continuance of an Event of Default, the DIP Agent shall have the right in its sole discretion to take any or all of the following actions: (i) declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare the unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other DIP Financing Agreements to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by any Debtor; (iii) reduce the advance rates in respect of Eligible Accounts (as defined in the DIP Credit Agreement) or take additional reserves against or otherwise modify the Borrowing Base; and (iv) exercise all rights and remedies

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available to the DIP Agent and the DIP Lenders under the DIP Financing Agreements, including any right of set-off under Section 11.21 of the DIP Credit Agreement, or under the UCC or any other applicable law; *provided, however*, that upon the occurrence of an Event of Default under the DIP Credit Agreement, the obligation of the DIP Lenders to make the DIP Loan shall automatically terminate, the unpaid principal amount of all outstanding DIP Loans and other DIP Obligations and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the DIP Agent or any DIP Lender.

(c) Nothing included herein shall prejudice, impair, or otherwise affect the DIP Agent's or the DIP Lender's rights to seek any other or supplemental relief in respect of the DIP Agent's and the DIP Lender's rights, as provided in the DIP Credit Agreement.

25. **Limitation on Lender Liability**. Nothing in this Final Order, any of the DIP Financing Agreements, or any other documents related thereto shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent, the DIP Lenders or the Prepetition Secured Parties Creditors of any liability for any claims arising from any activities by the Debtors in the operation of their businesses or in connection with the administration of these Cases. The DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall not, solely by reason of having made loans under the DIP Facility, be deemed in control of the operations of the Debtors or to be acting as a "responsible person" or "owner or operator" with respect to the operation or management of the Debtors (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq., as amended, or any similar federal or state statute). Nothing in this Final Order or the DIP Financing Agreements shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent, the DIP Lenders, or any of the Prepetition Secured Creditors of any liability for any claims arising from the prepetition or postpetition activities of any of the Debtors.

26. **Insurance Proceeds and Policies**. As of the entry of this Final Order and to the fullest extent provided by applicable law, the DIP Agent (on behalf of the DIP Lenders) and the Prepetition Secured Creditors, shall be, and shall be deemed to be, without any further action or

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notice, named as additional insured and as lender's loss payee with the priority as to all rights and remedies as set forth herein and in the DIP Credit Agreement.

27. **Proofs of Claim**. Neither the DIP Agent nor the DIP Lender will be required to file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Creditors.

28. **Other Rights and Obligations**.

(a) **Good Faith Under Section 364(e) of the Bankruptcy Code**. **No Modification or Stay of this Final Order.** The Debtors, the DIP Agent, the DIP Lender, the Prepetition Secured Creditors and McKesson have acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and authorizing use of Cash Collateral and rely on this Final Order in good faith. Based on the findings set forth in this Final Order and the record made during the Interim Hearing and the Final Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Final Order are hereafter reversed, modified amended or vacated by a subsequent order of this or any other Court, the DIP Agent, DIP Lender, Prepetition Secured Creditors and McKesson are entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or *vacatur* shall not affect the validity and enforceability of any advances made pursuant to this Final Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens, the Prepetition Replacement Liens or the VMF Replacement Lien. Any claims or DIP Protections granted to the DIP Agent and the DIP Lender hereunder, or adequate protection granted to the Prepetition Secured Creditors and McKesson hereunder, arising prior to the effective date of such reversal, modification, amendment or *vacatur*, shall be governed in all respects by the original provisions of this Final Order, and the DIP Agent, the DIP Lender, Prepetition Secured Creditors and McKesson shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections and adequate protection granted herein, with respect to any such claims. Since the loans made pursuant to the DIP Credit Agreement are

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made in reliance on this Final Order, the obligations owed to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson prior to the effective date of any reversal or modification of this Final Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson under this Final Order and/or the DIP Financing Agreements.

(b) **Binding Effect**. The provisions of this Final Order shall be binding upon and inure to the benefit of the DIP Agent, DIP Lender, the Debtors, the Prepetition Secured Creditors, McKesson, the Committee, all other Parties in Interest, and all creditors, and each of their respective successors and assigns (including any trustee or other fiduciary hereinafter appointed as a legal representative of the Debtors or with respect to the property of the estates of the Debtors) whether in the Chapter 11 Cases, in any Successor Cases, or upon dismissal of any such chapter 11 or chapter 7 case.

(c) **No Waiver**. The failure of the DIP Agent or the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this Final Order or otherwise, as applicable, shall not constitute a waiver of the DIP Agent's or the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Agent or the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Agent and DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Agent or DIP Lender may have pursuant to this Final Order, the DIP Financing Agreements, or applicable law. Nothing in this Final Order shall interfere with the rights of any party with respect to any non-Debtors.

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(d) **No Third Party Rights**. Except as explicitly provided for herein, this Final Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary.

(e) **No Marshaling**. The DIP Lender shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the DIP Collateral.

(f) **Amendment.** The Debtors, the DIP Agent and the DIP Lender may amend or waive any provision of the DIP Financing Agreements, on notice to the Office of the U.S. Trustee, the Committee, the Prepetition Secured Creditors and McKesson. The Debtors shall give each Prepetition Secured Creditor and McKesson notice concurrent with giving such notice or request to the DIP Agent for any amendment or waiver of the DIP Financing Agreements and, without prejudice to the effectiveness of any such amendment or waiver, each Prepetition Secured Creditor shall have the right to file a motion objecting to such amendment. Nothing in this Final Order shall authorize the DIP Agent or DIP Lenders to increase the commitments in excess of the commitments set forth in this Final Order, increase the contract interest rate, defined in the DIP Credit Agreement as the Applicable LIBOR Margin, increase the Default Rate or extend the maturity date, defined in the DIP Credit Agreement as the "Scheduled Termination Date". Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all the Debtors, the DIP Agent and the DIP Lender, and, if material, approved by the Court. Nothing herein shall preclude the Debtors, the DIP Agent and the DIP Lender from implementing any amendment or waiver of any provision of the DIP Financing Agreements.

(g) **Estate Subrogation**. Debtor Verity Holdings shall have an allowed unsecured superpriority administrative expense claim granted to it pursuant to section 364(c)(1), against each of the other Debtors that is a "Net Borrower" (as defined below) based on the consolidated cash management process and DIP Loan, which claim shall be subordinate to the DIP Obligations, including the DIP Superpriority Claim, and to the Adequate Protection Claims of the Prepetition Secured Creditors and McKesson, but shall have priority over all other administrative claims, in an amount equal to the sum of (a) the amount, if any, by which Debtor

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Verity Holdings' assets that are used to satisfy the DIP Loan, the Prepetition Replacement Liens or VMF Liens, exceeds the amount, if any, of any draws on the DIP Loan used by Verity Holdings plus interest, and (b) any postpetition net intercompany advances by Verity Holdings to any other Debtor. "Net Borrower" shall mean any Debtor for which the sum of all cash received from the concentration account or draws on the DIP Loan and its allocation of interest paid or payable under the DIP Loan based on amounts received by it and amounts received by other Debtors, exceeds any cash it has transferred to the concentration account during the Chapter 11 Cases.

29. **Survival of Final Order and Other Matters.** The provisions of this Final Order and any actions taken pursuant hereto shall survive entry of any order which may be entered in these Bankruptcy Cases, including without limitation, an order (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Final Order including the DIP Protections granted pursuant to this Final Order and the DIP Financing Agreements, shall continue in full force and effect notwithstanding the entry of such order, and such DIP Protections shall maintain their priority as provided by this Final Order until all the Obligations of the Debtors to the DIP Agent and the DIP Lender pursuant to the DIP Financing Agreements have been indefeasibly paid in full and in cash and discharged (such payment being without prejudice to any terms or provisions contained in the DIP Financing Agreements which survive such discharge by their terms). The terms and provisions of this Final Order including any protections granted to the Prepetition Secured Creditors and McKesson, shall continue in full force and effect notwithstanding the entry of such order, and such protections for the Prepetition Secured Creditors and McKesson shall maintain their priority as provided by this Final Order until all the obligations of the Debtors to the Prepetition Secured Creditors and McKesson pursuant to applicable documentation have been discharged. The DIP Obligations shall not be

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discharged by the entry of an order confirming a plan of reorganization, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

(a) **Inconsistency**. In the event of any inconsistency between the terms and conditions of the DIP Financing Agreements and of this Final Order, the provisions of this Final Order shall govern and control.

(b) **Enforceability**. This Final Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Final Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Final Order.

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled ~~on an interim basis~~.

(d) **No Waivers or Modification of Interim Order**. The Debtors irrevocably waive any right to seek any modification or extension of this Final Order without the prior written consent of the DIP Agent and the DIP Lender and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Agent or the DIP Lender.

(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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Document 2 ID	interwovenSite://USDMS/US_Active/109064508/14
Description	#109064508v14<US_Active> - Final DIP Financing Order [Debtors' Proposed]
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Padding cell	

Statistics:	
	Count
Insertions	24
Deletions	18
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	42

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Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

FILED & ENTERED

OCT 04 2018

CLERK U.S. BANKRUPTCY COURT
Central District of California
BY gonzalez DEPUTY CLERK

CHANGES MADE BY COURT

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

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

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

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Upon the emergency motion (the "***DIP Motion***")[1], dated August 31, 2018, filed by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity Medical Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the "***Debtors***"), as debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "***Chapter 11 Cases***"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the "***Bankruptcy Code***"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California (the "***Local Rules***" or "***LBR***"), for entry of an emergency order (the "***Interim Order***") following conclusion of the interim hearing (the "Interim Hearing") authorizing the Debtors, on an interim basis, and following the conclusion of a final hearing (the "***Final Hearing***") on the DIP Motion, for entry of a final order (the "***Final Order***") authorizing the Debtors, on a final basis to, among other things: ~~*inter alia:*~~

(i) Obtain senior secured post-petition financing (the "***DIP Financing***" or "***DIP Facility***") pursuant to the terms and conditions of the DIP Financing Agreements (as defined below), the Interim Order, and this Final Order, pursuant to sections 364(c)(1), 364(d), and 364(e) of the Bankruptcy Code and Rule 4001(c) of the Bankruptcy Rules;

(ii) Enter into a Debtor-in-Possession Credit Agreement (the "***DIP Credit Agreement***"), substantially in the form attached as Exhibit 2 to the Supplemental Chou Declaration ("**Supp. Chou Decl.**") [Docket 309-2], and other related financing documents (together with the DIP Credit Agreement and DIP Security Agreement, the "***DIP Financing Agreements***"), by and among each

[1] Capitalized terms used herein and not otherwise defined shall have the meaning ascribed in the DIP Motion.

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of the Debtors and Ally Bank ("***Ally***"), in its capacity as agent ("***DIP Agent***") and in its capacity as lender ("***DIP Lender***,") under the DIP Credit Agreement;

(iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements, postpetition financing of up to $30,000,000 on a revolving basis (the "***Interim DIP Loan***") and seek other financial accommodations from the DIP Agent and DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements and the Interim Order;

(iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition financing of up to an additional $155,000,000, for a total of up to $185,000,000, on a revolving basis, which includes the Interim DIP Loan (the "***Final DIP Loan***," and together with the Interim DIP Loan, the "***DIP Loan***") and seek other financial accommodations from the DIP Agent and DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this Final Order;

(v) Execute and deliver the DIP Credit Agreement and the other DIP Financing Agreements;

(vi) Grant the DIP Agent and DIP Lender allowed super-priority administrative expense claims, pursuant to section 364(c)(1) of the Bankruptcy Code, in each of the Chapter 11 Cases and any Successor Cases (as defined below) for the DIP Financing and all obligations of the Debtors owing under the DIP Financing Agreements (collectively, and including all "***Obligations***" of the Debtors as defined and described in the DIP Credit Agreement, the "***DIP Obligations***") subject only to the Carve Out (defined below) as set forth below;

(vii) Grant the DIP Agent and DIP Lender automatically perfected first priority senior security interests in and liens on all of the DIP Collateral (as defined below) pursuant to section 364(d)(1) of the Bankruptcy Code, which liens shall not be subordinate to any other liens, charges, security interests or surcharges under section 506(c) or any other section of the Bankruptcy Code, with the exception of the Carve Out (defined below) as set forth below;

(viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in accordance with the 13 week budget, as updated from time to time attached as Exhibit 1, Supp.

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Chou Decl. (the "***DIP Budget***") and as otherwise provided in the DIP Financing Agreements, the Interim Order and this Final Order;

(ix) Provide adequate protection to certain of the Prepetition Secured Creditors (defined herein) and McKesson (defined herein) pursuant to the terms of this Final Order for any diminution in value of their respective interests in the Prepetition Collateral or VMF Collateral (each as defined herein) resulting from the DIP Liens (as defined herein) on the Prepetition Collateral or VMF Collateral, subordination to the Carve Out (as defined herein), or Debtors' use, sale, or lease of Prepetition Collateral or VMF Collateral, including cash collateral within the meaning of 11 U.S.C. §363(a) (such cash collateral that is Prepetition Collateral or VMF Collateral hereafter defined as "***Cash Collateral***");

(x) Grant authorization based upon the consent of the Prepetition Secured Creditors and McKesson to use of Cash Collateral in accordance with the DIP Budget upon the terms and conditions set forth herein;

(xi) Vacate and modify the automatic stay imposed by section 362 of the Bankruptcy Code solely to the extent necessary to implement and effectuate the terms of the DIP Financing Agreements, the Interim Order, and this Final Order;

(xii) Following the conclusion of a final hearing (the "***Final Hearing***") to consider entry of an order (the "***Final Order***") granting all other relief requested in the DIP Motion on an interim and final basis; and

(xiii) Waive any applicable stay as provided in the Bankruptcy Rules (expressly including Rule 6004) and provide for immediate effectiveness of this Final Order.

The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief Financial Officer filed in support of the DIP Motion and Rich Adcock, Chief Executive Office filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings, the DIP Motion, the DIP Financing Documents, and the Supplemental Declaration of Anita Chou in Support of Debtors' Reply in Support of the DIP Motion, and the exhibits attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the Interim Hearing and the *Final Hearing*; and due and proper notice of the

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DIP Motion, the Interim Hearing, entry of the Interim Order, and Final Hearing having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under the circumstances; and the Interim Hearing and Final Hearing having been held and concluded; and it appearing that approval of the final relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors and is otherwise fair and reasonable and in the best interests of the Debtors, their estates and their creditors, and is essential for the preservation of the value of the Debtors' assets; and the Court having considered the *Objection to Debtor's 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* [Doc. No. 398] filed by UMB Bank, N.A. ("UMB Bank"), the *Response of U.S. Bank National Association, as Series 2017 Note Trustee, to 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* [Doc. No. 401] (the "UMB Objection"), and the *Response of Verity MOB Financing LLC and Verity MOB Financing II LLC With Respect to 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* [Doc. No. 402]; and the Court having overruled the UMB Objection to entry of this Final Order[2]; and any other objections ~~all objections, if any,~~ to the entry of this Final Order having been withdrawn, resolved or overruled by the Court; and for the

[2] At the Final Hearing, the Debtors read into the record proposed language intended to resolve the objections asserted by UMB Bank. UMB Bank's counsel stated that the proposed language was acceptable. After the Debtors lodged a proposed form of order incorporating the language that the Debtors had read into the record, UMB filed the UMB Objection. The Court finds that by assenting to the proposed language on the record at the Final Hearing, UMB Bank has waived its ability to object to the form of this Final Order.

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reasons set forth in the Court's tentative ruling [Doc. No. 392], incorporated herein by reference; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[3]

A. **Petition Date**. On August 31, 2018 (the "***Petition Date***"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Central District of California (the "***Court***"). The Debtors have continued in the management and operation of their businesses and properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

B. **Jurisdiction and Venue**. This Court has jurisdiction over the Cases, the DIP Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334(b), and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2). Venue for these Chapter 11 Cases and proceedings on the DIP Motion is proper before this district pursuant to 28 U.S.C. §§ 1408 and 1409.

C. **Committee Formation.** The Office of the United States Trustee (the "***U.S. Trustee***") provided notice of the appointment of an official committee of unsecured creditors in these Cases pursuant to section 1102 of the Bankruptcy Code, the members of which are identified by the Office of the United States Trustee in that Notice of Appointment and Appointment of Committee of Creditors Holding Unsecured Claims dated September 17, 2018 [Docket No 197] (the "***Committee***").

D. **Notice**. The Court entered the Interim Order on September 6, 2018 [Docket 86]. Notice of entry of the Interim Order and Notice of the Final Hearing on the DIP Motion [Docket

[3] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding 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.

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201] has been provided by the Debtors to: (i) the Office of the United States Trustee for the Central District of California (the "***U.S. Trustee***"); (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the Central District of California; (iv) the Internal Revenue Service; (v) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis; (vi) counsel to each of the Prepetition Secured Creditors (as defined below); (vii) counsel to the DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for the State of California, Charities Division; (ix) proposed counsel to the Committee; and (x) all other parties known to assert a lien on any of the Debtors' assets. Under the circumstances, such notice of the Final Hearing and the DIP Motion constitute due, sufficient and appropriate notice and complies with sections 102(1) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b), and the Local Rules, and no other or further notice is required under the circumstances.

E. **Findings Regarding Corporate Authority**. As set forth in the resolutions accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate power and authority to execute and deliver the DIP Financing Agreements to which it is a party, to grant the DIP Liens (as defined herein) and to perform its obligations thereunder.

F. **Intercreditor Agreement**. Pursuant to section 510(a) of the Bankruptcy Code, the Second Amended and Restated Intercreditor Agreement dated December 1, 2017 (the "***Intercreditor Agreement***") and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect, with respect to prepetition and post-petition assets of the Debtors as provided thereunder, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors (including the relative priorities, rights and remedies of such parties with respect to the Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable, by the Debtors under the Interim Order, this Final Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of this Final Order or the DIP Financing Agreements, unless expressly set forth herein.

G. **Prepetition Secured Credit Facilities**. As of the Petition Date, the Debtors were indebted and liable to the Prepetition Secured Creditors as follows:

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(i) UMB Bank, N.A., ("***UMB Bank***") as successor Master Trustee (in such capacity, the "***Master Trustee***") under the Master Trust of Trust dated as of December 1, 2001, as amended and supplemented (the "***Master Indenture***") with respect to the MTI Obligations (defined below) securing the repayment by the Obligated Group (defined below) of its loan obligations with respect to (1) the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "***2005 Bonds***"), (2) the California Public Finance Authority Revenue Notes (Verity Health System) Series 2015 A, B, C and D (the "***2015 Working Capital Notes***"), and (3) the California Public Finance Authority Revenue Notes (Verity Health System) Series 2017 A and B (the "***2017 Working Capital Notes***" and, collectively with the 2015 Working Capital Notes, the "***Working Capital Notes***"). The joint and several obligations issued under the Master Indenture by Verity Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center and Seton Medical Center (collectively, the "***Obligated Group***") in respect of the 2005 Bonds and the Working Capital Notes are collectively referred to as the "***MTI Obligations***". Wells Fargo Bank National Association ("***Wells Fargo***") serves as bond indenture trustee under the bond indentures relating to the 2005 Bonds. U.S. Bank National Association ("***U.S. Bank***") serves as the note indenture trustee and as the collateral agent under each of the note indentures relating to the 2015 Working Capital Notes and the 2017 Working Capital Notes, respectively. The MTI Obligations are secured by, inter alia, security interests granted to the Master Trustee in the prepetition accounts of, and mortgages on the principal real estate assets of, the members of the Obligated Group.

In addition to the security provided to the Master Trustee to secure the MTI Obligations, U.S. Bank, as Note Trustee for the 2015 Working Capital Notes and the 2017 Working Capital Notes is secured by prepetition first priority liens upon and security interests in the Obligated Group's accounts and deeds of trust on the principal real estate assets of Saint Louise Regional Hospital and St. Francis Medical Center (collectively, the "***Priority Collateral***"). U.S. Bank as Notes Trustee for the 2017 Working Capital Notes has also been granted a deed of trust,

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dated as of December 1, 2017, by Verity Holdings in certain real property located in San Mateo California (the "***Moss Deed of Trust***") to further secure the 2017 Working Capital Notes.

(ii) Verity MOB Financing, LLC and Verity MOB Financing II, LLC (together, the "***MOB Lenders***") hold security interests in Verity Holdings' accounts, including rents arising from the prepetition MOB Financing, and mortgages on medical office buildings owned by Verity Holdings (the "***MOB Financing***").

The Master Trustee, Wells Fargo as bond indenture trustee for the 2005 Notes, U.S. Bank as Note Trustee for the Working Capital Notes, and the MOB Lenders are collectively hereafter referred to as the "***Prepetition Secured Creditors***;" the MTI Obligations, the Obligated Group's loan obligations with respect to the Working Capital Notes and the MOB Financing are hereinafter referred to as the "***Prepetition Secured Obligations***;" the prepetition interests (including the liens and security interests) of each Prepetition Secured Creditor in the property and assets of the Debtors are hereinafter referred to as the "***Prepetition Liens***;" and the documents, writings and agreements evidencing the Prepetition Secured Obligations are hereinafter referred to as the "***Prepetition Secured Documents***".

H. **Prepetition Secured Trade Vendor Arrangement**. Prior to the Petition Date, Debtor Verity Medical Foundation ("***VMF***") entered into agreements for the sole source purchasing of certain critical chemotherapy and other pharmaceutical products and medical-surgical products with McKesson Corporation and certain affiliates ("***McKesson***"), and on or about March 27, 2018 granted to McKesson a prepetition perfected security interest ("***VMF Liens***") in VMF tangible and intangible personal property, including accounts (the "***VMF Collateral***"), but such perfected security interest excluded VMF cash (to the extent such cash does not represent proceeds of the VMF Collateral), personal property requiring possession for perfection and real property interests. As of the Petition Date, McKesson was owed approximately $3,055,000.00 (the "***McKesson Prepetition Debt***"). Postpetition, and subject to McKesson's internal credit review and approval process, McKesson has agreed to resume providing certain secured trade credit to VMF and the physician practices ordering through VMF for the purchase of pharmaceutical and medical-surgical

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products on 30 days from invoice payment terms (the "***McKesson Post-Petition Trade Credit***"). The McKesson Post-Petition Trade Credit will continue to be secured by the VMF Liens.

I. **Prepetition Collateral**. In order to secure the Prepetition Secured Obligations and the Prepetition Secured Trade Vendor Arrangement (as described in paragraph H above), the Debtors, excluding the Philanthropic Foundations, granted the Prepetition Liens and the VMF Liens to the Prepetition Secured Creditors and McKesson, respectively as provided and described in the Prepetition Secured Documents and the documents pertaining to the VMF Collateral. The assets subject to the Prepetition Liens (the "***Prepetition Collateral***") and the VMF Collateral constitute substantially all of the assets of the Debtors, excluding cash and assets of the Philanthropic Foundations.

J. **Prepetition Agreements to Pay Special Assessments.** Seton Medical Center, a Debtor, ("***SMC***") and California Statewide Communities Development Authority ("***CSCDA***") entered into an (i) Agreement to Pay Assessment and Finance Improvements dated May 11, 2017 under the CSCDA CaliforniaFirst Program ("***Clean Fund Agreement to Pay Assessment***"), and (ii) Agreement to Pay Assessment and Finance Improvements dated May 18, 2017 under the CSCDA CaliforniaFirst Program ("***Petros Agreement to Pay Assessment***", collectively, with Clean Fund Agreement to Pay Assessment, the "***Assessment Agreements*** "), each for the limited purpose of providing financing for certain renewable energy, energy efficiency, water efficiency and seismic improvements permanently affixed to real property owned by SMC located in Daly City, California under the CSCDA CaliforniaFirst Program in the aggregate amount of $40,000,000. As of the Petition Date, after payment of tax exempt bond issuance fees for the Clean Fund Bonds and the NR2 Petros Bonds (each as defined in the DIP Motion) and retention of capitalized interest reserves approximately $34,379,450 is being held for authorized improvements (the "***Program Funds***") by Wilmington Trust N.A. ("***WTNA***") as indenture trustee, pursuant to, *inter alia*, the terms of two Indentures between CSCDA and WTNA dated as of May 11, 2017 and May 18, 2017 and the Assessment Agreements. Notwithstanding SMC's status as a tax exempt California not for profit corporation, SMC agreed and consented to the CSCDA special tax assessments imposed pursuant to and under the Assessment Agreements (the "***CSCDA Special Assessments***"). The Debtors

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acknowledge that the CSCDA Special Assessments have the same lien priority and methods of collection as general municipal taxes on real property. Notices of Assessment and Payment of the Special Assessments were recorded in the official records of the County of San Mateo against the real property owned by SMC and consented to by the Prepetition Secured Creditors. The Debtors acknowledge that the Program Funds and other proceeds of the issuance of the Clean Fund Bonds or NR2 Petros Bond which are being held by WTNA are not property of the Debtors' estates, and are not subject to the Prepetition Liens, the DIP Liens, or the Prepetition Replacement Liens.

K. **Findings Regarding the Postpetition Financing**.

(i) **Consensual Priming of the Prepetition Liens**. The priming of the Prepetition Liens of the Prepetition Secured Creditors on the Prepetition Collateral, and the VMF Liens on the VMF Collateral under section 364(d) of the Bankruptcy Code, as contemplated by the DIP Financing Agreements, as authorized by the Interim Order and this Final Order, and as further described below, is consented to by the Prepetition Secured Creditors and McKesson, and will enable the Debtors to continue borrowing under the DIP Facility and to continue operating their businesses for the benefit of their estates and creditors. The Prepetition Secured Creditors and McKesson are each entitled to receive adequate protection as set forth in this Final Order pursuant to sections 361, 363, and 364 of the Bankruptcy Code, for any Diminution in Value (as defined herein) of each of their respective interests in the Prepetition Collateral (including Cash Collateral) or VMF Collateral.

(ii) **Good Cause; Need for Postpetition Financing**. Good cause has been shown for the entry of this Final Order. An immediate and continuing need exists for the Debtors to obtain funds from the DIP Loan in order to continue operations, continue to serve the Debtors mission to provide vital, lifesaving patient care for vulnerable populations and to administer and preserve the value of their estates. The ability of the Debtors to finance their operations, to preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors requires the availability of working capital from the DIP Loan, the absence of which would immediately and irreparably harm the Debtors, their estates and their creditors and the possibility for a successful

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reorganization or sale of the Debtors' assets as a going concern or otherwise. The proposed DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

(iii) **No Credit Available on More Favorable Terms**. The Debtors have been unable to obtain (a) unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense, (b) credit for money borrowed secured solely by a lien on property of the estate that it not otherwise subject to a lien, (c) credit for money borrowed secured by a junior lien on property of the estate which is subject to a lien, (d) or credit otherwise on more favorable terms and conditions than those provided in the DIP Credit Agreement and this Final Order. The Debtors are unable to obtain credit for borrowed money without granting to the DIP Agent and DIP Lender the DIP Protections (as defined below).

L. **Use of Proceeds of the DIP Facility.** Proceeds of the DIP Facility (net of any amounts used to pay fees, costs and expenses under the DIP Financing Agreements) are to be utilized by the Debtors until the DIP Facility Termination Date in accordance with the DIP Budget and in a manner consistent with the terms and conditions of the DIP Credit Agreement, and this Final Order.

M. **Application of Sale Proceeds of DIP Collateral.** As provided by the Interim Order, this Final Order and the DIP Credit Agreement, the DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property, including, without limitation, the Healthcare Facilities (as defined in the DIP Credit Agreement) and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The Sale Proceeds shall be held in escrow in one or more deposit accounts subject to a deposit account control agreement in favor of the DIP Agent (the "***Escrow Deposit Account***"). Any funds held in the Escrow Deposit Account shall not be commingled with any other funds of the selling Debtor, the Sale Proceeds of any other Debtor or otherwise. The DIP Agent is granted a first priority lien on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan Termination

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Date (as defined in the DIP Credit Agreement), the DIP Agent and the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors subject to any Prepetition Liens, VMF Liens, Prepetition Replacement Liens and VMF Replacement Liens; provided, however, that upon any Debtor's request and with the consent of the DIP Agent and DIP Lender (which consent may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured Creditors or McKesson on terms and conditions that are acceptable to the DIP Agent and DIP Lender in its sole discretion and upon further order of this Court.

N. **Adequate Protection for Prepetition Secured Creditors and McKesson.** The priming of the Prepetition Secured Creditors' Prepetition Liens and the VMF Liens to the extent set forth in the Interim Order and this Final Order, pursuant to section 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition Liens and the VMF Liens set forth below, the Prepetition Secured Creditors and McKesson shall be entitled to receive adequate protection, as set forth in this Final Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests in the Prepetition Collateral or VMF Collateral resulting from, among other things, the subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of such Prepetition Collateral or VMF Collateral, including Cash Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively, and solely to the extent of such diminution in value, the "***Diminution in Value***"). As to the VMF Collateral, any adequate protection, as set forth in this Final Order, pursuant to sections 361, 363 and 364 of the Bankruptcy Code, for any Diminution in Value of Prepetition Secured Creditors' interests in the Prepetition Collateral are subordinated to any similar adequate protection provided to McKesson. VMF shall also pay McKesson (A) $3,055,000.00 in satisfaction of the balance of McKesson's Prepetition Secured Debt on the following schedule: (1) October 5, 2018 - $1,700,000.00; (2) October 26, 2018 - $700,000.00; and (3) November 2, 2018 - $655,000.00 (plus

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McKesson's attorneys' fees and costs incurred through October 31, 2018) (the "***McKesson Secured Payments***"). The McKesson Secured Payments will be included within the DIP Budget line item for Debtors' critical vendor program. Payment of McKesson's attorneys' fees will be included in the DIP Budget line item for Prepetition Secured Creditor Adequate Protection Payments. The Prepetition Secured Creditors have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral to help fund the administration of the Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the record presented to the Court at the Interim Hearing and the Final Hearing, the terms of the proposed adequate protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Creditors and McKesson; provided, however, that nothing herein shall limit the rights of any of the Prepetition Secured Creditors or McKesson to hereafter seek new, additional, or different adequate protection; provided further, that nothing herein shall limit the rights of all parties in interest to assert or challenge any determination or assertion with respect to the existence or quantification of any Diminution of Value.

O. **Extension of Financing**. The DIP Agent and DIP Lender have indicated a willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement.

P. **Business Judgment and Good Faith Pursuant to Section 364(e).**

(i) The terms and conditions of the DIP Facility and the DIP Financing Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

(ii) The DIP Financing Agreements were negotiated in good faith and at arms' length between the Debtors, the DIP Agent and the DIP Lender;

(iii) The proceeds to be extended under the DIP Facility will be so extended in good faith, and for valid business purposes and uses; and

(iv) Each of the DIP Agent and DIP Lender has acted to date and is acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit

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Agreement and the other DIP Financing Agreements. The DIP Agent's and DIP Lender's claims, superpriority claims, security interests and liens and other protections granted pursuant to the Interim Order, this Final Order and the DIP Financing Agreements will not be affected or avoided by any subsequent reversal or modification of this Final Order, as provided in section 364(e) of the Bankruptcy Code.

Q. **Relief Essential; Best Interest; Good Cause**. The relief requested in the DIP Motion (and as provided in this Final Order) is necessary, essential, and appropriate for the preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors' estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement. Good cause has been shown for the relief requested in the DIP Motion (and as provided in this Final Order).

R. **Consent to Use of Cash Collateral**. Each of the Prepetition Secured Creditors and McKesson have consented to the use of their respective interests in Cash Collateral, subject to the terms and conditions set forth in this Order.

NOW, THEREFORE, on the DIP Motion and the record before this Court with respect to the DIP Motion, including the record created during the Interim Hearing and the Final Hearing, and with the consent of the Debtors, the Prepetition Secured Creditors and the DIP Agent and DIP Lender to the form and entry of this Final Order, and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. **Motion Granted**. The DIP Motion is granted on a final basis in accordance with the terms and conditions set forth in this Final Order and the DIP Credit Agreement. Any objections to the DIP Motion with respect to entry of this Final Order to the extent not withdrawn, waived or otherwise resolved, and all reservations of rights included therein, are hereby denied and overruled.

2. **DIP Financing Agreements.**

(a) **Approval of Entry into DIP Financing Agreements**. The Debtors are authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Final

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Order and the DIP Financing Agreements, and to execute and deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Financing Agreements and the creation and perfection of the DIP Liens described in and provided for by this Final Order and the DIP Financing Agreements. The Debtors are hereby authorized and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and other amounts described in the DIP Financing Agreements as such amounts become due and payable without need to obtain further Court approval, including closing fees, unused line fees, administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, and whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in this Final Order or the DIP Financing Agreements. All collections and proceeds, whether from ordinary course collections, asset sales, debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Final Order and the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, including, without limitation, commitment fees and reasonable attorneys' fees and disbursements as provided for in the DIP Credit Agreement, which amounts shall not otherwise be subject to approval of this Court,. The Debtors shall pay the deferred balance of the commitment fee required by section 2.9(a) of the DIP Credit Agreement upon entry of this Final Order.

(b) **Authorization to Borrow and/or Guarantee**. To enable them to continue to preserve the value of their estates and dispose of their assets in an orderly fashion, during the period prior to termination of the DIP Credit Agreement and subject to the terms and conditions of this Final Order, upon the execution of the DIP Credit Agreement and the other DIP Financing Agreements the Debtors are hereby authorized to borrow the DIP Loan up to a total committed amount of $185,000,000 under the DIP Financing Agreements.

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(c) **Conditions Precedent.** Neither the DIP Agent nor the DIP Lender have any obligation to make the DIP Loan or any loan or advance under the DIP Credit Agreement unless the conditions precedent to making such loan under the DIP Credit Agreement have been satisfied in full or waived by the DIP Agent and DIP Lender in their sole discretion.

(d) **DIP Collateral; DIP Liens**. Effective immediately upon the entry of this Final Order, on account of the DIP Loan, the DIP Agent shall be and is hereby granted first-priority security interests and liens (which shall immediately be valid, binding, permanent, continuing, enforceable, perfected and non-avoidable) on all of the Debtors' property, including, without limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or after the Petition Date (collectively, the "***DIP Collateral***," and all such liens and security interests granted on or in the DIP Collateral pursuant to this Final Order and the DIP Financing Agreements, the "***DIP Liens***"), but shall exclude the Program Funds, and proceeds of the Clean Fund Bonds and NR2 Petros Bonds held by WTNA, donor restricted funds held at Philanthropic Foundations, Avoidance Actions (defined below) and any proceeds thereof and any funds held by the Prepetition Secured Creditors (set forth on **Exhibit 1** to the Chou Decl.), provided, however, for the avoidance of doubt, any amounts held in accounts owned by the Debtors, whether or not such accounts are subject to control agreements in favor of the Prepetition Secured Creditors, shall constitute DIP Collateral. The DIP Collateral shall not be subject to any surcharge under section 506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this Court.

(e) **DIP Lien Priority**. Subject only to the Carve Out (as defined below) and the prepetition tax lien arising in connection with the CSCDA Special Assessments, the DIP Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing, enforceable, non-avoidable first priority senior priming liens and security interests on the DIP Collateral, and shall prime all other liens and security interests on the DIP Collateral, including any liens and security interests in existence on the Petition Date against the Prepetition Collateral and VMF Collateral, and any other current or future liens granted on the DIP Collateral, including any adequate protection or replacement liens granted on the DIP Collateral (collectively, the "***Primed Liens***") (other than the Debtors' claims and causes of action under sections 502(d), 544, 545, 547,

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548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar actions under the Bankruptcy Code or similar state law (the "***Avoidance Actions***"), whether received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens shall not be made subject to, subordinate to, or *pari passu* with any lien or security interest by any court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid and enforceable against any trustee appointed in the Chapter 11 Cases, upon the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (any "***Successor Cases***"), and/or upon the dismissal of any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

(f) **Enforceable Obligations**. The DIP Financing Agreements shall constitute and evidence the valid and binding obligations of the Debtors, which obligations shall be enforceable against the Debtors, their estates and any successors thereto and their creditors or representatives thereof, in accordance with their terms.

(g) **Protection of DIP Agent, DIP Lender and Other Rights**. From and after the Petition Date, the Debtors shall use the proceeds of the extensions of credit under the DIP Facility only for the purposes specifically set forth in the DIP Credit Agreement and this Final Order and in strict compliance with the DIP Budget (subject to any variances thereto permitted by the DIP Credit Agreement).

(h) **Additional Protections of DIP Agent and DIP Lender: Superpriority Administrative Claim Status**. Subject to the Carve Out (as defined below), all DIP Obligations shall constitute an allowed superpriority administrative expense claim (the "***DIP Superpriority Claim***" and, together with the DIP Liens, the "***DIP Protections***") with priority in all of the Chapter 11 Cases and Successor Cases over all other administrative expense claims under sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the

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kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any other provision of the Bankruptcy Code except as otherwise set forth herein, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment. The DIP Superpriority Claim shall be payable from and have recourse to all prepetition and post-petition property of the Debtors and all proceeds thereof. Without limiting the foregoing, the DIP Superpriority Claim shall not be made subject to, subordinate to, or *pari passu* with any other administrative claim in the Chapter 11 Cases or Successor Cases, except for the Carve Out (as defined below). Other than the Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Cases, or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Final Order, the DIP Credit Agreement and the other DIP Financing Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit Agreement during the period commencing immediately after the entry of this Final Order and terminating upon the termination of the DIP Credit Agreement in accordance with its terms and subject to the provisions hereof.

4. **Application of Sale Proceeds of DIP and Prepetition Secured Creditor Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code, the Interim Order, this Final Order and the DIP Financing Agreements, to the Sale Proceeds. The Sale Proceeds shall be allocated by Debtors and held in escrow in the Escrow Deposit Accounts. Funds held in any Escrow Deposit Account shall not be commingled with any other funds of the applicable Debtor or any of the other Debtors and, without limitation of the rights of the DIP Agent and DIP Lender under the DIP Financing Agreements and this Final Order with respect to the Sale Proceeds and Escrow Deposit Account, including, without limitation, following the occurrence of an Event of Default or the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the Debtors shall not be permitted to use Cash Collateral of any of the Prepetition Secured Creditors held in any Escrow Deposit Account for any purpose without first

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obtaining the consent of the applicable Prepetition Secured Creditor or obtaining an order of the Court pursuant to Section 363 of the Bankruptcy Code after notice and a hearing. The DIP Agent is granted a first priority lien on the Escrow Deposit Accounts and all Sale Proceeds, including any deposit provided by any buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the DIP Agent may apply amounts held in Escrow Deposit Accounts to the outstanding DIP Obligations due under the DIP Credit Agreement. Without limiting the foregoing, and subject and subordinate in all respects to the first priority priming DIP Lien and Prepetition Replacement Liens to the extent set forth in this Final Order, the Prepetition Secured Creditors' Prepetition Liens shall be deemed to attach to the Escrow Deposit Accounts and the Sale Proceeds with the same relative priority, validity, force, extent and effect as the Prepetition Liens attached to the Prepetition Collateral giving rise to such Sale Proceeds. Each of the Prepetition Secured Creditors shall have the right to seek a declaration of their respective rights in and to any of the Sale Proceeds and funds held in a Deposit Escrow Account, consistent with and subject to the terms and conditions of this Final Order and the DIP Financing Agreements, and the Court shall determine all such disputes in accordance with this Final Order, the DIP Financing Agreements, the Prepetition Secured Documents, and applicable law.

5. **Adequate Protection for Prepetition Secured Creditors**. As adequate protection for the interests of the Prepetition Secured Creditors in the Prepetition Collateral and McKesson in the VMF Collateral, on account of the granting of the DIP Liens, subordination to the Carve Out (as defined below), any Diminution in Value arising out of the Debtors' use, sale, or disposition or other depreciation of the Prepetition Collateral, including Cash Collateral or the VMF Collateral, resulting from the automatic stay, the Prepetition Secured Creditors and McKesson shall receive adequate protection as follows:

(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,

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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 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. 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

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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.

(b) **Adequate Protection Payments and Protections**. So long as there is no Default or Event of Default under the Interim Order, this Final Order, or the DIP Financing Agreements, the Debtors are also authorized and directed to provide (I) to the Prepetition Secured Creditors monthly adequate protection payments equal to (A) the amount of postpetition, non-default contractual interest on the outstanding balances of the Prepetition Secured Obligations, provided that reference to the non-default contractual rate of interest shall not include any Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents, plus (B) monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee, respectively, and (C) reimbursement of reasonable attorney's fees for one set of attorneys for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB Financing; and (II) payments by the Debtors to McKesson consistent with certain terms of the interim and final orders authorizing the Critical Vendor Program (as defined in the Debtors First Day Motions) in an amount of $3,055,000.00 (collectively I and II are the "***Prepetition Adequate Protection Payments***"). Notwithstanding the foregoing, to the extent the Court enters a final and non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code, that the Prepetition Adequate Protection Payments under (I) and (II) above are not properly entitled to payment of interest and fees on one or more of the respective Prepetition Secured Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-characterized as payment(s) applied to the principal amount of the respective Prepetition Secured Obligations.

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(c) **McKesson Secured Payments.** As set forth herein, so long as no Revolving Loan Termination Event has occurred under the DIP Credit Agreement, the Debtors are hereby authorized and directed to make all McKesson Secured Payments on or before their respective due dates and are authorized to make payments on McKesson's Post-Petition Trade Credit, on the terms agreed to between McKesson and the Debtors provided herein.

(d) **Prepetition Superpriority Claim**. To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below, an allowed superpriority administrative expense claim (the "***Prepetition Superpriority Claims***"), which shall have priority (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising of any kind or nature whatsoever including, without limitation, administrative expenses of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552, 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of this Final Order, section 506(c) of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition Superpriority Claim 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 have priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain 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 Superpriority Claims granted

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to any other Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the claims 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). With respect to the Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement.

(e) **Validity, Perfection and Amount of Prepetition Liens**. The Debtors further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the Prepetition Secured Obligations on the Prepetition Collateral and the VMF Liens on the VMF Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition Secured Creditors and McKesson, (b) the Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral except the prepetition tax lien arising in connection with the CSCDA Special Assessments, and (c) the VMF Liens were senior in priority over any and all other Liens on VMF Collateral. The findings and stipulations set forth in this Final Order with respect to the validity, enforceability and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and all of their successors in interest and assigns, including the Committee, unless, and solely to the extent that, a party in interest with requisite standing and authority (other than the Debtors, as to which any Challenge (as defined below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens (each such proceeding or appropriate pleading commencing a proceeding or other contested matter, a "***Challenge***") within ninety (90) days from the formation of the Committee (the "***Challenge Deadline***"); *provided* that for purposes of filing a Challenge, the Committee shall be deemed to have standing to file the requisite pleading

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without further ~~a~~ order of the Court; and *provided further*, that the "Challenge Deadline" for matters solely relating to the value of the Prepetition Collateral may be further extended to such time as may be agreed by stipulation among the Debtors, the Committee and the Prepetition Secured Creditors or as further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be amended upon further order of this Court and the consent of both the Prepetition Secured Creditors, the DIP Agent and the DIP Lender. The Debtors shall not use the Prepetition Collateral, VMF Collateral or their proceeds to investigate or prosecute claims against the Prepetition Secured Creditors or McKesson, including Avoidance Actions, *provided however* that the Committee may investigate the existence of such claims and have allowed fees paid from the Prepetition Collateral or VMF Collateral and the proceeds of the DIP Facility up to the amount of $250,000, *provided further however* that no Prepetition Collateral or VMF Collateral, the proceeds thereof or the proceeds of the DIP Facility may be used to prosecute claims against Prepetition Secured Creditors or McKesson. For the avoidance of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition Secured Creditors or McKesson from any Challenge raised by third parties, including the Committee, to the validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition Liens or the VMF Liens.

(f) **Sections 506(c) and 552(b)**. In light of the Prepetition Secured Creditors' and McKesson's' agreements that their Prepetition Liens and VMF Liens, respectively, shall be subject to the Carve Out and subordinate to the DIP Liens, the Prepetition Secured Creditors and McKesson are each entitled to a waiver of any "equities of the case" exception under section 552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the Bankruptcy Code.

(g) Nothing contained in this Final Order shall prevent the Prepetition Secured Creditors from application or use of the funds held thereby that are not DIP Collateral in accordance with the Prepetition Secured Documents. Each of the Prepetition Secured Creditors reserves the right to seek additional or further adequate protection from the Court. The Debtors and the Committee each reserves the right to object to any such request for additional or further adequate protection.

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6. **Budget Maintenance**. The proceeds of the DIP Loan under the DIP Facility and the use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the DIP Financing Agreements and the DIP Budget. The DIP Budget shall be delivered to the DIP Agent with such supporting documentation as reasonably requested by the DIP Agent. The DIP Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the U.S. Trustee and counsel for the Prepetition Secured Creditors after it has been approved in accordance with the DIP Financing Agreements. The Debtors shall provide at least two (2) business days' notice to counsel for the Committee and the Prepetition Secured Creditors prior to the effective date of any change in the DIP Budget.

7. **Budget Compliance and Reporting**. The proceeds of the DIP Facility and the use of Cash Collateral shall be subject to, and used in accordance with, the terms and conditions of the DIP Financing Agreement and the DIP Budget (subject to the variances set forth therein). Debtors acknowledge and confirm that the DIP Budget includes the payment of CSCDA Special Assessments. The Debtors shall provide all reports and other information as required in the DIP Credit Agreement (subject to the grace periods provided therein), with copies delivered substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the Committee, such information to include reasonably complete details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock Declaration, and such information to be timely provided, sufficient for the Prepetition Secured Creditors to file an objection with this Court on two business days' notice. The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or to provide the reports and other information required in the DIP Credit Agreement shall constitute an Event of Default (as defined herein), following the expiration of any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and binding confidentiality agreements, the Debtors shall provide to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors and the Committee information concerning (i) the Debtors' efforts to obtain debtor in possession financing proposals, including any proposals the Debtors received, and

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(ii) the Debtors' ongoing efforts to market their assets, including all marketing materials used by the Debtors in this process, information identifying the parties the Debtors have contacted, copies of any proposals or expressions of interest, and other information concerning these matters as the DIP Agent or the Prepetition Secured Creditors may reasonably request.

8. **Postpetition Lien Perfection.** This Final Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens, the Prepetition Replacement Liens and the VMF Replacement Lien, and all rights granted in and to the Escrow Deposit Accounts and the Sale Proceeds, without the necessity of filing or recording any financing statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be required under the law of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement or obtaining possession of any possessory collateral) to validate or perfect the DIP Liens, Prepetition Replacement Liens or VMF Replacement Lien, or to entitle the DIP Liens, Prepetition Replacement Liens and VMF Replacement Lien the respective priorities granted herein. Notwithstanding and without limiting the foregoing, the DIP Agent may file such financing statements, mortgages, deeds of trust, notices of liens and other similar documents as it deems appropriate, and it is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, deeds of trust, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of the Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the DIP Agent and DIP Lender all such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents as the DIP Agent and DIP Lender may reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such financing statements, mortgages, deeds of trust, deposit account control agreements, notices and other documents shall be considered DIP Financing Agreements for all intents and purposes. The DIP Agent, in its discretion, may file a certified copy of this Final Order as a financing statement with any recording officer designated

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to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the recording officer shall be authorized to file or record such copy of this Final Order. To the extent that any Prepetition Secured Creditor is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements, bailee letters, custom broker agreements, financing statement, account control agreements, or any other Prepetition Secured Documents or is listed as loss payee or additional insured under any of the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under such documents or to be the loss payee or additional insured, as applicable.

9. **Application of Proceeds of Collateral**. As a condition to the continued extension of credit under the DIP Facility and the continued authorization to use Cash Collateral, the Debtors have agreed that as of and commencing on the Closing Date the Debtors shall apply all advances under the DIP Facility, as follows: (i) *first*, to fund the day to day operations and general corporate purposes of the Debtors' estates; (ii) *second*, to pay the administrative expenses of the Chapter 11 Cases; and (iii) *third*, to make the Prepetition Adequate Protection Payments all in accordance with the DIP Budget.

10. **Proceeds of Subsequent Financing**. If the Debtors, any trustee, any examiner with expanded powers, or any responsible officer subsequently appointed in these Chapter 11 Cases or any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections 364(b), 364(c), or 364(d) or in violation of the DIP Financing Agreements at any time prior to the indefeasible repayment in full of all DIP Obligations and Prepetition Secured Obligations (to the extent such remain outstanding), and the termination of the DIP Agent's and the DIP Lenders' obligation to extend credit under the DIP Facility, including subsequent to the confirmation of any chapter 11 plan of reorganization with respect to any or all of the Debtors and the Debtors' estates, and such facility is secured by any DIP Collateral, then all the cash proceeds derived from such credit or debit shall immediately be turned over to the DIP Agent to be applied in accordance with this Final Order and the DIP Financing Agreements.

11. **Cash Collection**.

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(a) From and after the date of the entry of this Final Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in accounts as specified in the DIP Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to time) (collectively, the "***Cash Collection Accounts***"), which accounts shall be subject to the sole dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP Agent that, unless a "Default" or an "Event of Default" under the DIP Credit Agreement has occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall be authorized to use such Cash Collateral in accordance with this Final Order. All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the DIP Agent and the Prepetition Secured Creditors or as set forth in this Final Order, the Debtors shall maintain no accounts except those identified in the interim cash management order entered by the Court with respect thereto (the "***Cash Management Order***"), whether now existing or hereafter established. The Debtors and the financial institutions where the Debtors' Cash Collection Accounts are maintained (including those accounts identified in the Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent. To the extent that a Prepetition Secured Creditor's perfection in or control over bank accounts or investment accounts, including any funds or investments therein, may be affected by reason of the transfer of control to the DIP Agent or any agent of the DIP Lenders in accordance with this Final Order, the perfection and control rights of such Prepetition Secured Creditor therein shall be deemed to continue, subject to the senior, priming rights of the DIP Lender and the DIP Lien in such bank accounts or investment accounts, for so long as the DIP Obligations remain outstanding, and thereafter shall revert back to such Prepetition Secured Creditor.

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(b) Notwithstanding anything in this Final Order or any of the DIP Financing Agreements, from and after the date of the entry of this Final Order, all collections and proceeds of any DIP Collateral or Prepetition Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall promptly be deposited into a depository account furnished by a depository bank acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject to the sole dominion and control of the DIP Agent (such account, the "***DIP Collateral Account***"). The Debtors' use of the proceeds in the DIP Collateral Account shall be subject to this Final Order and the DIP Financing Agreements.

12. **Maintenance of DIP Collateral**. Until the indefeasible payment in full of all DIP Obligations, all Prepetition Secured Obligations, and the termination of the DIP Agent's and the DIP Lenders' obligation to extend credit under the DIP Facility, the Debtors shall: (a) insure the DIP Collateral as required under the DIP Facility or the Prepetition Secured Documents, as applicable; and (b) maintain the cash management system in effect as of the Petition Date, as modified by the Cash Management Order and this Final Order, and maintain books and records sufficient to account for postpetition intercompany transfers in a manner required by the Cash Management Order and the DIP Credit Agreement at section 5.6 or as otherwise agreed to by the DIP Agent or otherwise required or permitted by the DIP Financing Agreements or this Final Order.

13. **DIP and Other Expenses**. The Debtors are authorized and directed to pay all reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent, (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as counsel to the DIP Agent), (2) the DIP Lenders in connection with the DIP Facility, as provided herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a proposed conversion of the DIP Facility into exit financing (including the preparation and negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured Creditors and McKesson, whether or not the transactions contemplated hereby are consummated, including attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, and indemnification and reimbursement of fees and expenses. Payment of all

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such fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors and McKesson shall not be required to comply with the U.S. Trustee fee guidelines; however, any time that such professionals seek payment of fees and expenses from the Debtors, each professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S. Trustee or the Committee, with respect to such invoices must be in writing and state with particularity the grounds therefor and must be submitted to the applicable professional within ten (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved, it will be subject to resolution by the Court. Pending such resolution, the undisputed portion of any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the Debtors are authorized and directed to pay on the Closing Date all reasonable and documented fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors incurred on or prior to such date without the need for any professional engaged by such parties to first deliver a copy of its invoice or other supporting documentation. No attorney or advisor to the DIP Agent, the DIP Lenders any Prepetition Secured Creditor or McKesson shall be required to file an application seeking compensation for services or reimbursement of expenses with the Court. Upon entry of this Final Order, any and all fees, costs, and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured Creditors and McKesson in connection with or with respect to these matters, were approved in full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the Debtors or any other person.

14. **Indemnification**. The Debtors shall indemnify and hold harmless the DIP Agent and the DIP Lenders in accordance with the terms and conditions of the DIP Credit Agreement.

15. **Right to Credit Bid**. The DIP Lender shall have the right, but not the obligation, to "credit bid" the DIP Obligations during any sale of the DIP Collateral, including without limitation, sales occurring pursuant to section 363 of the Bankruptcy Code or included as part of any reorganization plan subject to confirmation under section 1129(b)(2)(A)(iii) of the Bankruptcy

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Code. Subject to the indefeasible payment in full of the DIP Obligations, the Prepetition Secured Creditors shall have the right but not the obligation to credit bid the Prepetition Secured Obligations during any sale of the Prepetition Collateral, including without limitation, sales occurring pursuant to section 363 of the Bankruptcy Code.

16. **Carve Out**. The DIP Liens, DIP Superpriority Claim, and Prepetition Replacement Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the "***U.S. Trustee Fees***"), together with interest, if any, at the statutory rate; and (ii) all allowed claims for unpaid fees, costs and expenses incurred by persons or firms retained by the Debtors or the Committee, if any, whose retention is approved by the Court pursuant to any one or more of sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs and expenses are both (a) allowed by the Court pursuant to a final order, and (b) in accordance with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable time frame (the "***Carve Out Expenses***"); provided that the aggregate amount of such Carve Out Expenses shall not exceed (a) $2,000,000 with respect to persons or firms retained by the Debtors, and (b) $150,000 with respect to persons or firms retained by the Committee (collectively, the "***Carve Out Amount***"). Any payment or reimbursement made after the Carve Out Trigger Date in respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a dollar-for-dollar basis.

17. **Limitation of Use of Proceeds**. Notwithstanding anything set forth herein and except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses incurred in connection with initiating or prosecuting any claims, causes of action, adversary proceedings, or other litigation against the DIP Agent, the DIP Lender or any of the Prepetition Secured Creditors, including, without limitation, the assertion or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defenses or other contested matter, the purpose of which is to seek any order, judgment, determination or similar relief (i) invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in part, (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, (d) the VMF Liens or (e) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly or indirectly, the DIP Agent's, the DIP

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Lender's, the Prepetition Secured Creditors' or McKesson's assertion or enforcement of their liens or security interests or realization upon any DIP Collateral, Prepetition Collateral, or VMF Collateral, or (iii) prosecuting any Avoidance Actions against the DIP Agent, the DIP Lender, any Prepetition Secured Creditor or McKesson, or (iv) challenging the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the McKesson Prepetition Debt, or the adequate protection granted herein, *provided however*, that nothing in this Final Order shall limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors or McKesson as adequate protection payments.

18. **Payment of Compensation.** Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any of the Debtors or the Committee or shall affect the right of the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson to object to the allowance and payment of such fees and expenses or to permit the Debtors to pay any such amounts not set forth in the DIP Budget.

19. **Section 506(c) Claims; Equities of the Case**. Nothing contained in this Final Order shall be deemed a consent by the DIP Agent, the DIP Lender or any Prepetition Secured Creditor to any charge, lien, assessment or claim against the DIP Collateral under Section 506(c) of the Bankruptcy Code or otherwise. The "equities of the case" exception under Section 552(b) of the Bankruptcy Code and surcharge powers under section 506(c) of the Bankruptcy Code are waived as to the Prepetition Creditors and all pre and postpetition collateral securing their claims.

20. **Collateral Rights.** Unless the DIP Agent and DIP Lender have provided their prior written consent or all DIP Obligations have been paid in full in cash (or will be paid in full in cash upon entry of an order approving indebtedness described in subparagraph (a) below), and all commitments by the DIP Agent and the DIP Lender to lend have terminated:

(a) The Debtors shall not seek entry, in these proceedings, or in any Successor Case, of any order which authorizes the obtaining of credit or the incurring of indebtedness that is secured by a security, mortgage, or collateral interest or other lien on all or any portion of the DIP Collateral and/or entitled to priority administrative status which is senior or *pari passu* to the DIP

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Liens granted to the DIP Lender pursuant to this Final Order, the DIP Financing Agreements or otherwise;

(b) The Debtors shall not consent to relief from the automatic stay by any person other than the DIP Agent with respect to all or any portion of the DIP Collateral without the express written consent of the DIP Agent and the DIP Lender;

(c) In the event that the Debtors seek entry of an order in violation of subsection (a) hereof, the DIP Agent and DIP Lender shall be granted relief from the automatic stay with respect to the DIP Collateral pursuant to the notice procedures set forth in this Order; and

(d) The Parties to the DIP Credit Agreement agree that the Final Order does not impair the claims, rights, or ability, if any, to recoup, setoff or otherwise recover Medicare overpayments related to prepetition services by a Debtor ("***Prepetition Medicare Overpayments***") of the United States, its agencies, departments, agents or entities (collectively, "***United States***") from the payments made to such Debtor for services rendered after the Petition Date ("***Postpetition Medicare Payments***"), in accordance with the Medicare statutes, regulations, policies and procedures. The Parties to the DIP Credit Agreement further agree that the Final Order does not impair the United States' claims, rights or ability, if any, to recoup, setoff or otherwise recover any other prepetition debt a Debtor may owe to the United States from the Postpetition Medicare Payments due such Debtor in accordance with applicable law.

21. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP Agent and the DIP Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 7, 2019 (the "***Scheduled Termination Date***"); (ii) the date of revocation of this Final Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v) the date the Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded power in the Chapter 11 Cases;

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and (vi) the acceleration of the DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the "***Commitment Termination Date***"). The occurrence of the Commitment Termination Date, shall also constitute, subject to further Court order, termination of the Prepetition Secured Creditors' and McKesson consent to the Debtors' use of their prepetition Cash Collateral (the "**Carve Out Trigger Date**").

22. **Disposition of Collateral**. The Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the DIP Collateral, without the prior written consent of the DIP Agent and the DIP Lender (and no such consent shall be implied, from any other action, inaction or acquiescence by the DIP Agent or the DIP Lender or an order of this Court), except as provided in the DIP Financing Agreements and this Final Order and approved by the Court to the extent required under applicable bankruptcy law. Nothing herein shall prevent the Debtors from making sales in the ordinary course of business to the extent consistent with the DIP Budget and as permitted in the DIP Financing Agreements.

23. **Events of Default.** The occurrence of a "Default" or an "Event of Default" pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the "Bankruptcy Defaults" enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of default under this Final Order, unless expressly waived in writing in accordance with the consents required in the DIP Financing Agreements.

24. **Rights and Remedies Upon Event of Default.**

(a) Any otherwise applicable automatic stay is hereby modified so that after the occurrence of any Event of Default and at any time thereafter during the continuance of such Event of Default, the DIP Agent and the DIP Lender shall be entitled to exercise its rights and remedies with respect to the Debtors and the DIP Collateral provided in the DIP Financing Agreements and by applicable law, including, without limitation, foreclosing on and selling the DIP Collateral, without the need for further court approval or the consent of any other party.

(b) Notwithstanding the preceding paragraph, immediately following the giving of notice by the DIP Agent of the occurrence and continuance of an Event of Default, the DIP

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Agent shall have the right in its sole discretion to take any or all of the following actions: (i) declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare the unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other DIP Financing Agreements to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by any Debtor; (iii) reduce the advance rates in respect of Eligible Accounts (as defined in the DIP Credit Agreement) or take additional reserves against or otherwise modify the Borrowing Base; and (iv) exercise all rights and remedies available to the DIP Agent and the DIP Lenders under the DIP Financing Agreements, including any right of set-off under Section 11.21 of the DIP Credit Agreement, or under the UCC or any other applicable law; *provided, however*, that upon the occurrence of an Event of Default under the DIP Credit Agreement, the obligation of the DIP Lenders to make the DIP Loan shall automatically terminate, the unpaid principal amount of all outstanding DIP Loans and other DIP Obligations and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the DIP Agent or any DIP Lender.

(c) Nothing included herein shall prejudice, impair, or otherwise affect the DIP Agent's or the DIP Lender's rights to seek any other or supplemental relief in respect of the DIP Agent's and the DIP Lender's rights, as provided in the DIP Credit Agreement.

25. **Limitation on Lender Liability**. Nothing in this Final Order, any of the DIP Financing Agreements, or any other documents related thereto shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent, the DIP Lenders or the Prepetition Secured Parties Creditors of any liability for any claims arising from any activities by the Debtors in the operation of their businesses or in connection with the administration of these Cases. The DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall not, solely by reason of having made loans under the DIP Facility, be deemed in control of the operations of the Debtors or to be acting as a "responsible person" or "owner or operator" with respect to the operation or management of the Debtors (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§

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9601 et seq., as amended, or any similar federal or state statute). Nothing in this Final Order or the DIP Financing Agreements shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent, the DIP Lenders, or any of the Prepetition Secured Creditors of any liability for any claims arising from the prepetition or postpetition activities of any of the Debtors.

26. **Insurance Proceeds and Policies**. As of the entry of this Final Order and to the fullest extent provided by applicable law, the DIP Agent (on behalf of the DIP Lenders) and the Prepetition Secured Creditors, shall be, and shall be deemed to be, without any further action or notice, named as additional insured and as lender's loss payee with the priority as to all rights and remedies as set forth herein and in the DIP Credit Agreement.

27. **Proofs of Claim**. Neither the DIP Agent nor the DIP Lender will be required to file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Creditors.

28. **Other Rights and Obligations**.

(a) **Good Faith Under Section 364(e) of the Bankruptcy Code**. **No Modification or Stay of this Final Order.** The Debtors, the DIP Agent, the DIP Lender, the Prepetition Secured Creditors and McKesson have acted in good faith in connection with negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and authorizing use of Cash Collateral and rely on this Final Order in good faith. Based on the findings set forth in this Final Order and the record made during the Interim Hearing and the Final Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Final Order are hereafter reversed, modified amended or vacated by a subsequent order of this or any other Court, the DIP Agent, DIP Lender, Prepetition Secured Creditors and McKesson are entitled to the protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment or *vacatur* shall not affect the validity and enforceability of any advances made pursuant to this Final Order or the DIP Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the DIP Liens, the Prepetition Replacement Liens or the

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VMF Replacement Lien. Any claims or DIP Protections granted to the DIP Agent and the DIP Lender hereunder, or adequate protection granted to the Prepetition Secured Creditors and McKesson hereunder, arising prior to the effective date of such reversal, modification, amendment or *vacatur*, shall be governed in all respects by the original provisions of this Final Order, and the DIP Agent, the DIP Lender, Prepetition Secured Creditors and McKesson shall be entitled to all of the rights, remedies, privileges and benefits, including the DIP Protections and adequate protection granted herein, with respect to any such claims. Since the loans made pursuant to the DIP Credit Agreement are made in reliance on this Final Order, the obligations owed to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson prior to the effective date of any reversal or modification of this Final Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson under this Final Order and/or the DIP Financing Agreements.

(b) **Binding Effect**. The provisions of this Final Order shall be binding upon and inure to the benefit of the DIP Agent, DIP Lender, the Debtors, the Prepetition Secured Creditors, McKesson, the Committee, all other Parties in Interest, and all creditors, and each of their respective successors and assigns (including any trustee or other fiduciary hereinafter appointed as a legal representative of the Debtors or with respect to the property of the estates of the Debtors) whether in the Chapter 11 Cases, in any Successor Cases, or upon dismissal of any such chapter 11 or chapter 7 case.

(c) **No Waiver**. The failure of the DIP Agent or the DIP Lender to seek relief or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this Final Order or otherwise, as applicable, shall not constitute a waiver of the DIP Agent's or the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Agent or the DIP Lender under the Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP Agent and DIP

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Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or otherwise) the DIP Agent or DIP Lender may have pursuant to this Final Order, the DIP Financing Agreements, or applicable law. Nothing in this Final Order shall interfere with the rights of any party with respect to any non-Debtors.

(d) **No Third Party Rights**. Except as explicitly provided for herein, this Final Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary.

(e) **No Marshaling**. The DIP Lender shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the DIP Collateral.

(f) **Amendment.** The Debtors, the DIP Agent and the DIP Lender may amend or waive any provision of the DIP Financing Agreements, on notice to the Office of the U.S. Trustee, the Committee, the Prepetition Secured Creditors and McKesson. The Debtors shall give each Prepetition Secured Creditor and McKesson notice concurrent with giving such notice or request to the DIP Agent for any amendment or waiver of the DIP Financing Agreements and, without prejudice to the effectiveness of any such amendment or waiver, each Prepetition Secured Creditor shall have the right to file a motion objecting to such amendment. Nothing in this Final Order shall authorize the DIP Agent or DIP Lenders to increase the commitments in excess of the commitments set forth in this Final Order, increase the contract interest rate, defined in the DIP Credit Agreement as the Applicable LIBOR Margin, increase the Default Rate or extend the maturity date, defined in the DIP Credit Agreement as the "Scheduled Termination Date". Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all the Debtors, the DIP Agent and the DIP Lender, and, if material, approved by the Court. Nothing herein shall preclude the Debtors, the DIP Agent and the DIP Lender from implementing any amendment or waiver of any provision of the DIP Financing Agreements.

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(g) **Estate Subrogation**. Debtor Verity Holdings shall have an allowed unsecured superpriority administrative expense claim granted to it pursuant to section 364(c)(1), against each of the other Debtors that is a "Net Borrower" (as defined below) based on the consolidated cash management process and DIP Loan, which claim shall be subordinate to the DIP Obligations, including the DIP Superpriority Claim, and to the Adequate Protection Claims of the Prepetition Secured Creditors and McKesson, but shall have priority over all other administrative claims, in an amount equal to the sum of (a) the amount, if any, by which Debtor Verity Holdings' assets that are used to satisfy the DIP Loan, the Prepetition Replacement Liens or VMF Liens, exceeds the amount, if any, of any draws on the DIP Loan used by Verity Holdings plus interest, and (b) any postpetition net intercompany advances by Verity Holdings to any other Debtor. "Net Borrower" shall mean any Debtor for which the sum of all cash received from the concentration account or draws on the DIP Loan and its allocation of interest paid or payable under the DIP Loan based on amounts received by it and amounts received by other Debtors, exceeds any cash it has transferred to the concentration account during the Chapter 11 Cases.

29. **Survival of Final Order and Other Matters.** The provisions of this Final Order and any actions taken pursuant hereto shall survive entry of any order which may be entered in these Bankruptcy Cases, including without limitation, an order (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Final Order including the DIP Protections granted pursuant to this Final Order and the DIP Financing Agreements, shall continue in full force and effect notwithstanding the entry of such order, and such DIP Protections shall maintain their priority as provided by this Final Order until all the Obligations of the Debtors to the DIP Agent and the DIP Lender pursuant to the DIP Financing Agreements have been indefeasibly paid in full and in cash and discharged (such payment being without prejudice to any terms or provisions contained in the DIP Financing Agreements which survive such discharge by

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their terms). The terms and provisions of this Final Order including any protections granted to the Prepetition Secured Creditors and McKesson, shall continue in full force and effect notwithstanding the entry of such order, and such protections for the Prepetition Secured Creditors and McKesson shall maintain their priority as provided by this Final Order until all the obligations of the Debtors to the Prepetition Secured Creditors and McKesson pursuant to applicable documentation have been discharged. The DIP Obligations shall not be discharged by the entry of an order confirming a plan of reorganization, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

(a) **Inconsistency**. In the event of any inconsistency between the terms and conditions of the DIP Financing Agreements and of this Final Order, the provisions of this Final Order shall govern and control.

(b) **Enforceability**. This Final Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Final Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Final Order.

(c) **Objections Overruled**. All objections to the DIP Motion to the extent not withdrawn or resolved, are hereby overruled.

(d) **No Waivers or Modification of Interim Order**. The Debtors irrevocably waive any right to seek any modification or extension of this Final Order without the prior written consent of the DIP Agent and the DIP Lender and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Agent or the DIP Lender.

(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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Date: October 4, 2018

Ernest M. Robles
United States Bankruptcy Judge

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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

--oOo--

In Re:	) Case No. 2:18-bk-20151-ER
	)
VERITY HEALTH SYSTEM OF CALIFORNIA, INC.,	) Chapter 11
	)
	) Los Angeles, California
Debtor.	) Wednesday, October 3, 2018
	) 10:00 a.m.

HEARING RE: [31] EMERGENCY MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (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

HEARING RE: [23] EMERGENCY MOTION OF DEBTORS FOR AUTHORITY TO: (1) CONTINUE USING EXISTING CASH MANAGEMENT SYSTEM, BANK ACCOUNTS AND BUSINESS FORMS; (2) IMPLEMENT CHANGES TO THE CASH MANAGEMENT SYSTEM IN THE ORDINARY COURSE OF BUSINESS; (3) CONTINUE INTER-COMPANY TRANSACTIONS; (4) PROVIDE ADMINISTRATIVE EXPENSE PRIORITY FOR POST-PETITION INTER-COMPANY CLAIMS; AND (5) OBTAIN RELATED RELIEF

Proceedings recorded by electronic sound recording; transcript produced by transcription service.

HEARING RE: [22] E EMERGENCY MOTION OF DEBTORS FOR ENTRY OF ORDER: (I) AUTHORIZING THE DEBTORS TO (A) PAY PRE-PETITION EMPLOYEE WAGES AND SALARIES, AND (B) PAY AND HONOR EMPLOYEE BENEFITS AND OTHER WORKFORCE OBLIGATIONS; AND (II) AUTHORIZING AND DIRECTING THE APPLICABLE BANK TO PAY ALL CHECKS AND ELECTRONIC PAYMENT REQUESTS MADE BY THE DEBTORS RELATING TO THE FOREGOING

HEARING RE: [29] DEBTORS EMERGENCY MOTION FOR ENTRY OF AN ORDER AUTHORIZING DEBTORS TO HONOR PRE-PETITION OBLIGATIONS TO CRITICAL VENDORS

HEARING RE: [108] MOTION TO SHORTEN TO OCTOBER 15, 2018, DEBTOR'S TIME TO ASSUME OR REJECT HEALTHCARE SERVICES RISK SHARING AGREEMENT

HEARING RE: [334] EXPEDITED MOTION FOR INTERIM ORDER AUTHORIZING CREDIT CARD PROGRAM WITH CITY NATIONAL BANK

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE ERNEST ROBLES
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

For the Debtor:

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For Medline Industries:	ARAM ORDUBEGIAN, ESQ. Arent Fox, LLP 555 West 5th Street 48th Floor Los Angeles, California 90013 (213) 629-7410

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APPEARANCES: (Cont'd.)

For California Statewide Community Development Authority:	DEBRA REILLY, ESQ.
For St. Vincent:	DONALD R. KIRK, ESQ. Carlton Fields 4221 West Boy Scout Boulevard Suite 1000 Tampa, Florida 33607 (813) 223-7000 MARK A. NEUBAUER, ESQ. Carlton Fields 2000 Avenue of the Stars Suite 530 North Tower Los Angeles, California 90067 (310) 843-6310
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LOS ANGELES, CALIFORNIA WEDNESDAY, OCTOBER 3, 2018 10:00 AM

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(Call to order of the Court.)

THE COURT: All right. As to the remaining items, we'll take them in the following order. First off, we'll take item three, which is the final authorization re post-petition financing.

Next will be item five, which is the wages motion. Third will be item four, which is the cash management request. Next will be item seven, the critical vendor motion. Next will be item eight, which is the motion to shorten time to assume or reject, and item nine, is the last matter by my reckoning, and that's the credit card authorization.

All right. Item three then, this is the Verity Health System of California motion with respect to interim and final order on DIP financing.

May I have appearances, please.

MR. MAIZEL: Good morning, your Honor. Samuel Maizel, Dentons, LLP, on behalf of the Debtor.

With me at counsel table from the far right is Claude Montgomery who will do the DIP financing motion, Tania Moyron, who's going to handle the cash management motion, the St. Vincent's motion, and the credit card motion; Sam Alperts, who will handle the wage motion, and

I'll do the critical vendors motion.

THE COURT: All right.

MR. MAIZEL: Also in the courtroom today is Rich Adcock, the CEO; Anita Chou, the CFO; Elspeth Paul, the general counsel; Peter Chadwick, who is our financial advisor from Berkeley Research Group; and Jim Maloney who is our investment banker from Cane Brothers.

THE COURT: Thank you.

MR. BRAY: Good morning, your Honor. Gregory Bray of Milbank, Tweed, Hadley and McCloy, proposed counsel for the Creditors' Committee.

THE COURT: Thank you.

MR. COCO: Good morning, your Honor. Nathan Coco from McDermott, Will and Emery, on behalf of U.S. Bank as notes working capital Trustee for the 2015 working capital notes.

MR. WHITMORE: Your Honor, Clark Whitmore from Maslon, LLP, on behalf of U.S. Bank in its capacity as the Series 2017 Notes Trustee.

MR. RICOTTA: Good morning, your Honor. Paul Ricotta from Mintz Levin. We are representing UMB Bank as the master Trustee for the notes and the working capital notes, as well as co-counsel for Wells Fargo Bank, which is the bond Trustee for the '05 bonds.

MR. LEMKE: Good morning, your Honor. David Lemke

with Waller Lansdon, on behalf of Ally Bank, the DIP lender. Your Honor, I'm also here with my co-counsel, Lance Jurich, of Loeb and Loeb, and he filed a pro hoc motion for me late last week. So I believe it's still pending with your Honor. With your Honor's permission, to the extent I need to speak on behalf of Ally, I would ask your -- your permission to do so.

THE COURT: That will be fine. Thank you.

MR. LEMKE: Thank you.

MR. BENNETT: Good morning, your Honor. Bruce Bennett, Jones Day, for the MOB lenders and for the holders of the 2017 working capital notes.

MR. GARFINKLE: Good morning, your Honor. Jeff Garfinkle, Buchalter, appearing on behalf of McKesson Corporation on behalf of itself and its corporate affiliates.

MR. AMKRAUT: Good morning, your Honor. Robert Amkraut with Fox Rothschild, here for Swinerton Builders.

MR. LAPPING: Good morning, your Honor. Richard Lapping, Trodella and Lapping, LLP, on behalf of the Retirement Plan for Hospital Employees, also RPHE.

THE COURT: Thank you.

MS. GRAY: Good morning, your Honor. Caitlin Gray, Weinberg, Roger and Rosenfeld, for SEIU-UHW.

MR. ORDUBEGIAN: Good morning, your Honor. Aram

Ordubegian of Arent Fox on behalf of Medline Industries.

MR. WASWEILLER: Good morning, your Honor. Bill Wasweiller of the Ballard Spar Law Firm on behalf of Wells Fargo as co-counsel.

THE COURT: Thank you.

MS. REILLY: Good morning, your Honor. Debra Reilly of Alan Matkins, on behalf of California Statewide Community Development Authority.

MR. KOHANSKI: Good morning, your Honor. Joe Kohanski, Bush Gottlieb, for the United Nurse's Association of California, UNAC.

MS. SKOGSTAD: Good morning, your Honor. Kyrsten Skogstad, in-house counsel on behalf of the California Nurse's Association.

MR. NEUBAUER: Good morning, your Honor. Mark Neubauer of Carlton Fields on behalf of St. Vincent Medical -- IPA Medical Corporation.

MR. KIRK: Good morning, your Honor. Donald Kirk of Carlton Fields on behalf of St. Vincent IPA.

MR. MARGULIES: Good morning, your Honor. Craig Margulies with Margulies Faith, LLP, on behalf of Hooper Healthcare Consulting and Managed Care Support Systems, Inc., critical vendors in the case. Thank you.

THE COURT: Thank you.

Any other appearances? All right. Do we have any

appearances by telephone this morning?

THE CLERK: Yes, your Honor.

THE COURT: All right. We'll take those appearances, please.

MR. BENVENUTTI (telephonic): Good morning, your Honor. This is Peter Benvenutti from Keller and Benvenutti on behalf of the County of San Mateo.

THE COURT: Thank you.

MS. RICH (telephonic): Good morning. This is Emily rich of Weinberg, Roger and Rosenfeld, on behalf of SEIU-UHW.

THE COURT: Thank you.

MR. ECKHARDT (telephonic): Your Honor, Kevin Eckhardt of Hunton Andrews Kurth on behalf of Smith and Nephew.

THE COURT: Very well. Any other appearances by telephone this morning?

All right. As indicated by the Court, we will begin with item three. The Court has issued its tentative ruling with respect to that.

Earlier this morning I had an opportunity, although I can't seem to -- oh, earlier this morning I had an opportunity to review a supplemental objection that was filed on behalf of UM Bank and Wells Fargo with respect to the DIP financing.

Very well. Let me hear from Debtor's counsel with respect to the Court's tentative.

MR. MONTGOMERY: Good morning, your Honor. Claude Montgomery. It is our proposal for the Court in light of the record that was created at the interim hearing on September 15 based on the then emergency motion, the first day declaration, and the declaration of Anita Chou, plus the omnibus reply filed by the Debtors and the objection supported by the supplemental declaration of Anita Chou at docket 3092 and the declaration of James Maloney of the Cane Brothers at docket 3093, plus our supplemental omnibus reply filed at docket 355 to rely on the Court's tentative ruling of October 2nd. We would rely on its entirety but for what we suspect your Honor has is a typo on page 17 of your tentative ruling where you refer to 365(b). I suspect you intended to refer to 364(b).

THE COURT: Four, right.

MR. MONTGOMERY: With respect -- your Honor indicated at the close of your tentative that if there were supplemental replies, you would consider whether or not to let the parties present either their oral arguments or evidence, if there was any, in connection with those supplemental replies, and we would urge your Honor in that regard to deny the UMB Bank request to have this Court consider the supplemental reply basically for a violation of

Local Rule 90113-1(f). The Local Rules are very clear that if you have evidence in support of your objection, you're supposed to present it with your objection, and, your Honor, they did neither with respect to their original objection, and with respect to their supplemental objection, they proffered only a copy of the inter-creditor agreement, which was already a part of the record.

The specific issues from which they propose to argue as to that inter-creditor agreement were already the subject of briefing, and we think that there is nothing in that that should sway the Court or the Court should even listen to with respect to your tentative ruling.

Specifically, there is no evidence that -- to support the citations in their supplemental reply with respect to items paragraph 9(1) through (5) and items (7) through (8). There are no source citations with respect to the supposed background information to the inter-creditor agreement.

With paragraphs 16 to 19 where they assert facts, again, there is no source cite either by way of reference to an exhibit or by way of a supplemental declaration. We think that this clearly violates Local Bankruptcy Rule 9013(1)(h)(i) which requires factual contentions "must" be presented upon declaration and other written evidence. Since they have not submitted any with their opposition, we

believe it's appropriate for the Court to strike their supplemental reply, and if your Honor should desire to consider either their arguments or a proffer of evidence -- or their evidence, we would ask that the Court insist on a proffer so we can show you that the proffer doesn't raise issues that are appropriate for your Honor to consider in spite of your tentative ruling.

Thank you.

THE COURT: All right. Thank you.

Any party wish to be heard in opposition to the Court's tentative?

MR. RICOTTA: Thank you, your Honor. I'm representing UMB Bank --

THE COURT: Unfortunately, our system here is very antiquated and will only pick you up at the microphone. So let's not talk until we're fully onboard with that microphone. I'm sorry.

MR. RICOTTA: I'm happy to do that, your Honor. Your Honor, let me speak first to the issue of the filing of the supplemental reply.

The filing of the supplemental reply was as a result of a brand new argument that was made that was never made to us, never mentioned to us in numerous phone calls, numerous contacts by the Debtors that somehow UMB Bank had consented to the entry of the final order and, in

particular, to the priming of the master Trustee's and the bond Trustee's liens.

So this was an argument that was raised for the first time that was new to us, and we had to respond to it. Otherwise, your Honor, it would have appeared to the Court that there was an assent to that argument, and that's just as far from the truth as possible.

THE COURT: All right. Well, I'll rule on that aspect that was raised by the Debtor, and I will take into account the supplemental objection as long as the evidence in support of that objection is limited to the four corners of the actual agreement that is signed and attached to it as an exhibit. So we're not going past that.

MR. RICOTTA: And, your Honor, that was -- and you've anticipated exactly what my next point was -- would have been to you, and that is that we are not making an argument today with respect to anything other than the four corners of the document. We believe that if you look at the document carefully, as we're happy to take you through, that you will see that the Debtor's argument is -- is actually specious just because of the defined terms.

So we're happy to do that. The question, your Honor, is if you would like me to address that now. I'm happy to make that argument about that part of our objection to the final DIP order right now.

THE COURT: Well, let me see where that argument fits within the context of the determination of adequate protection because it does seem to the Court that we have evidence by now uncontroverted with respect to the value of the assets and the -- the nature of the DIP financing and all of the associated debts that have to be considered, and it appears to the Court that there is adequate protection. So to what extent do we have to go into the argument raised in your papers here?

MR. RICOTTA: Your Honor, the way that this all fits together is that we have effectively three objections, one of which is to adequate protection. We do not believe that there is adequate protection here. However, your Honor, we appreciate and we have been instructed and we appreciate the fact that it would be helpful for the -- for the Debtors to have in place financing. And, although one of our objections is that this is the wrong DIP financier and there is a better DIP financier out there, but assuming that the Debtor does and would do better with financing, we are prepared to agree that although we do not agree with the Debtor that there is adequate protection, however, we will not for purposes of this hearing only contest whether or not there is adequate protection.

So, with respect to how our argument on the -- what we call the intramural priming lien issue fits in, we

are not, for this hearing only, contesting whether there is adequate protection or not, despite the fact that we don't believe that there is. We believe that our objection with respect to the intramural priming lien simply can be resolved by a simple change to the final DIP order that will cause it to be neutral and not take sides as to which way the -- as to which -- as to how the inter-creditor agreement should be interpreted, which it takes sides on right now in its current format. So we are prepared on that objection to ask simply for a change to a paragraph in the final DIP order.

I want to make sure, though, your Honor -- I mentioned it earlier, and I want to make sure that the Court is clear, however, that we also have an objection that there is a better DIP offer on the table for the Debtors to accept, and so we do object that this particular DIP lender be approved as the DIP lender for this particular final order. We believe that there should be a different DIP lender approved which has better terms.

So that's how this all -- all fits together, your Honor.

THE COURT: All right. I did see in your papers this other alternative, although it was as bare bones as you've given here. So I don't know what -- what are the contexts and contours of that, and I don't know if you've

had an opportunity to discuss the matter.

All right. Counsel?

MR. MONTGOMERY: If I may?

MR. RICOTTA: Yes, absolutely, of course.

MR. MONTGOMERY: So, your Honor, it is -- if I may approach?

THE COURT: Yes.

MR. MONTGOMERY: We believe that UMB Bank is challenging the Debtor's business judgment with respect to going forward with Ally Bank. They -- counsel --

THE COURT: Well, I don't know --

MR. MONTGOMERY: I'm sorry, your Honor.

THE COURT: Don't let me interrupt. My question is simply whether you've had an opportunity --

MR. MAIZEL: He's new here, your Honor.

THE COURT: -- to discuss this, because whether there is a better deal is something that's always of interest to the Court. We hear the word "deal" and we think, you know, good things about that.

MR. MONTGOMERY: Of course. In the words of my colleague, Mr. Maizel, we do not believe that the for-discussion-only non-committed offer that was presented by counsel for UMB Bank on behalf of one of the members of its constituency 2005 bond holders is, in fact, a compellingly better offer. We had said to them that in light of the fact

that if we were to propose to substitute an arguably comparable offer today, one, it would obviously destroy the Alloy Bank credit. It would create an immediate event of default. And we would not be able to have in place a DIP financing arrangement going forward following the conclusion of this hearing, and we say that for one, there is no ability if we ever get to the facts of this particular offer, for them to fund today. There is no ability for them to -- and there is no commitment for them to fund in the immediate future. We know that we would have to restructure the final order because they have asked for a change in the final order to go with that new proposal, which we believe would create new issues with our senior lenders, creating litigation of a different kind, meaning we would either have to completely recut our replacement lien structure and how it operated as between the Debtors or we would have to basically switch sides and go with the junior creditors, fighting the senior creditors.

In light of the fact that there is no doubt that all of the Debtor's pre-petition cash collateral of the obligated borrowers is subject to the senior lien of U.S. Bank on behalf of the 2015's and 2017 working capita notes, the only party that had a statutory consent right with respect to that collateral was U.S. Bank. After we deal with that, we are in the world of what is adequate

protection and what is a package that is reasonable, and from our perspective on behalf of the Debtors, UMB Bank is proffering a debt being made by one of its constituents that would force us to alter that package.

To do so should be done in an orderly manner if it is to happen at all, and it is the Debtor's business judgment at this point that the document which at the moment or last seen by us was, again, a draft not committed by the underlying party and, by the way, your Honor, which we were asked in the process to keep confidential from the rest of the parties.

The Debtors, as of today, have not shared a copy of whatever -- of our most recent draft. We don't know if that's still the draft that they want to go forward with -- with anybody, your Honor, not Ally Bank, not the Unsecured Creditors' Committee, not the senior bond holders, not the lien holders, not McKesson. No one has seen it, your Honor. And we don't think that an effort to submit to you today an alternative deal, which is not precluded for review in the future but today, which would have a huge adverse effect on our ability to put forward our critical vendor program, our ability to keep our deal with McKesson in place, and potentially destroy our relationship with the senior lenders is not a good exercise of business judgment. So, your Honor, we don't think today is the day for your Honor to

consider such a thing. if they really want to make a compelling offer, the Debtor's investment bankers, the Debtor's counsel is available to deal with it, and we can actually hold an auction if we want to do that. There is no doubt in our mind that Allyl Bank put forward a very good economic deal for us. If somebody wants to make a better deal for the estates, we are happy for the estates to be the benefit of that, but today is not the day, your Honor. Thank you.

THE COURT: All right. Thank you.

MR. RICOTTA: May I respond, your Honor?

THE COURT: Certainly. I'm not really -- I'm not really sure where the facts went in this. We contacted the Debtors on the 21st of September. We've been sending term sheets back and forth to them for several days after that. We had to chase them to get responses on those term sheets. We don't know why.

The term sheet then proceeded several days ago to credit agreements. We've used exactly the Ally Bank credit agreement. All we've done is deleted things from it. It's a better interest rate. It's the same maturity date. It's the same amount of money. There are no commitment fees. There are no closing fees. There are no fees of any other kind other than professional fees which, because we're using the Ally Bank documents, should be minimal.

It's not a line of credit which the Debtors requested. I mean, what you've just heard sounds to me like last night we just kind of flipped some document to them, some term sheet to them out of the blue. That's about as far away from what has been happening over the past couple of weeks as you can imagine.

The fact of the matter is is that it has fewer covenants. It has fewer events of default. It will save the Debtors over $1,000,000, and we have an analysis of that which was done by our financial consultant, Houlihan Loki. Mr. Andrew Turnbull's in the courtroom today. He did that analysis under his supervision. Happy to have him go on the stand and explain the analysis of why it would save the Debtors $1,000,000. The fact of the matter is is that we have been asking and expecting to have the Debtors be ready today to make this decision and to substitute. And, as it turns out, because of delay, which we don't understand, the Debtors now say that apparently they can't go forward, and they've got to have Ally Bank be in place. Well, that will cause the creditors in this case, including my clients, to have to be responsible for the full closing fee payable to Ally Bank. We don't have a closing fee. Nuveen Asset Management doesn't have a closing fee, and let's not have any discussion about commitment, ability to fund, and so forth. Nuveen Asset Management is a 120-year-old investment

fund. It manages over 150 billion dollars of cash. And, in fact, your Honor, in 2013, when these Debtors were actually controlled or owned by the Daughters of Charity, they were in distress. They Daughters of Charity didn't want to be in this business anymore apparently. They wanted to sell it to -- I believe the entity was called Prime. They went to Nuveen. They asked Nuveen at that time for a bridge loan. Nuveen made a loan of $125,000,000 back in 2013. Yet Nuveen wasn't even asked by the Debtors, Cane Brothers, anybody at the beginning of this case, even before this case. They weren't even approached to ask whether they would be willing to be the DIP lender, saving all this money, saving all these fees, saving all this -- this headache and expense of professional fees now arguing about it.

THE COURT: All right. Let me interject here because I think we've gone a little bit into a side area. I was interested in exploring whether there is another source of DIP financing that's been considered by Debtor's counsel and apparently it's not something that they're interested in. So we'll leave that aside for the time being. And for purposes of this hearing only, as you've indicated, there is no issue with respect to at least the decision not to contest adequate protection. So the Court will hear other arguments if there is a disagreement with the Court's tentative, but it's likely that we will go forward and

approve the DIP financing, but you've indicated that there is some additional language that you wanted in the final order. So why don't we go over that.

MR. RICOTTA: I'd be happy to present our objection with respect to the order, your Honor.

If I may, your Honor, I'd like to go back to my seat for a second just to get some papers that I didn't bring up when you first asked me to come up.

THE COURT: Yes.

(Pause.)

MR. RICOTTA: Your Honor, I want to start off by making it very very clear that we are not objecting to the granting of replacement liens, the so-called replacement liens. I know that that's the nomenclature that's arisen over the last, what is it, since 1978 I think when the Bankruptcy Code was enacted. They're not really replacement liens. They're actually additional liens. But, in any event, we call them replacement.

I just want to make sure that the Court is very well aware that we are not objecting to the granting of replacement liens to anybody. In fact, we're entitled to replacement liens. So we're happy with that. We're not objecting to the granting of replacement liens to the other two Trustees. And we're not objecting whatsoever if those replacement liens use the usual language.

You've seen this a thousand times in cases. It's -- and I'll paraphrase. It's to the same extent validity, scope and priority as the pre-petition liens. That's not what the language in this order says. It goes beyond that. The final order here reorders the priorities of the rights under the inter-creditor agreement. That inter-creditor agreement, just by its date -- I'm not going outside the four corners of the document -- despite its date, was negotiated over three years ago.

The Debtors in their reply say that they want to just preserve the status quo. Well, as I said, it doesn't. There are -- this dispute, your Honor, is only between two non-debtor parties. It's not with Ally Bank. Once again, not asking for any change in any language with respect to the priming aspect of Ally Bank's DIP loans -- or DIP liens. It's not needed by Ally Bank. To my knowledge, they're not even asking for this language. This only has to do between an -- with an intramural dispute between the pre-petition secured creditors on one hand the bond holders, the '05 bonds, and on the other hand the working capital notes. So Ally Bank should care less about this, and I think that that's probably true other than, of course, I'm sure that they want the order to be entered.

And it's totally unnecessary, your Honor, for the Debtors to have taken sides in this dispute. They could

have proposed neutral language. They could have basically said that the replacement lien -- they're not deciding what priority the replacement liens will be placed into. Instead, they could have just said if there's a dispute between the two sides of the pre-petition secured creditors over the interpretation of the inter-creditor agreement, that dispute will be not decided by this final order but will be decided in the future at some point if somebody ever brings it up, and that's the worst part about it, your Honor. It may never have to be decided. That's why I don't understand why this order has to be entered in a way that takes sides today. It could be the fact --

THE COURT: Could you point -- could you point the Court what paragraph we're talking about?

MR. RICOTTA: Sure. So I'm talking about, your Honor, in the final order, paragraph -- I believe it's five. I was just handed a new final order, by the way. Let me see if I can make sure and utilize --

MR. MONTGOMERY: While you're looking at that, your Honor, we have advised all counsel and third parties that the request of Ally Bank -- we had some minor corrections that we would be lodging in the event the Court actually held with its tentative ruling, and if I may approach with the black line that shows the changes that Ally Bank requested to which we consented and have advised

al of the secured creditors.

THE COURT: All right. Let's have that.

MR. MONTGOMERY: So that way Mr. Ricotta can refer to a document that --

THE COURT: Thank you.

And, just for purposes of the hearing, let's call this Exhibit Y. Very well. We're -- you were going to point the Court to review of a particular paragraph here.

MR. RICOTTA: Okay. So, your Honor, if you -- if you could take a look at on page 20, paragraph five, and in particular, I'm referring to paragraph 5(a). Paragraph five, your Honor, is the recitation of the adequate protection elements that are being provided to the pre-petition secured creditors. I'm focusing on (a), which is the -- which is the paragraph that talks about the replacement liens. This exact same problem, by the way, your Honor, also arises in paragraph (d) on page 22 which refers to the pre-petition super-priority claims. As we all know, the super-priority claims are more or less belts and suspenders to the pre-petition liens. So the same argument applies to both, but I'm just going to focus on 5(a).

THE COURT: All right.

MR. RICOTTA: So if you take a look at 5(a), it says at line 25, after granting up above the pre-petition replacement liens, it says that any pre-petition replacement

liens granted to the 15 and 17 notes on account of diminution in value shall be senior to the pre-petition replacement liens granted to any other pre-petition secured creditors.

So what that does, your Honor, right there is it basically says that any diminution in value whatsoever -- this could not just -- this not just includes the receivables. This includes, for example, if they wanted to try to prove that there was a diminution in value of one of their hospitals.

Now, let's take a step back and make sure that the Court remembers what the collateral lineup is here because that's crucial to understanding why this language that doesn't include the '05 bond holders, why this language is one of the places that is so offensive. The way that the collateral package is lined up here is the master Trustee and the bond Trustees have liens on all of the obligated group. The obligated group are the hospitals. It doesn't include the MLB's, just the hospitals, the five -- the six hospitals.

In the inter-creditor agreement, it only does two things. The inter-creditor agreement is not a first and second lien type of inter-creditor agreement. It only does two things. One, it says that with respect to the receivables of all the hospitals, the working capital notes

have a priority. The bond holders have second priority. With respect to two out of the six hospitals, the working capital notes have priority, at St. Francis and St. Louise. As a result of that, the other four hospitals, your Honor, we have a pari passu mortgage in them. Along with the working capital notes, it's pari passu. But it's worse than that because in the inter-creditor agreement, in paragraph five -- and I know that the Court has the inter-creditor agreement attached as an exhibit to a number of different pleadings. If the Court needs another copy, I have one right here for you.

THE COURT: No. I have the one attached to your supplemental.

MR. RICOTTA: Okay. So, for example, if you take a look at paragraph five of the inter-creditor agreement, it carves out even from the working capital notes priority. With respect to St. Louise and St. Francis, it carves out millions of dollars in the event that the sale of those two hospitals which are -- are the working capital priority assets -- that's a defined term, priority assets. If those two hospitals -- either one of those two hospitals is sold and as a result of that sale, the tax-exempt status of the '05 bonds is somehow compromised, then there's a carve-out, a monetary carve-out, millions of dollars, from even their priority assets to pay to the '05 bond holders to compensate

them for the fact that they lost their tax exempt status.

So the point here, your Honor, is you can't -- number one, just on that basis alone, just on the tax savings clause alone, you can't just have a blanket statement in here that says that any replacement lien in favor of the working capital notes trumps any collateral held by the '05 bond holders. And it's -- and, once again, it's worse.

Let's really think about how this could work. Let's just assume for the sake of argument that the working capital notes are able to convince this Court that they have a diminution in value. It almost doesn't matter where it comes from. But just let's assume that that's the case. If that were the case, your Honor, this clause right here says -- and other parts of this say -- and I'm referring, for example, to lines 17 through 20 where it says the pre-petition replacement liens will be junior only to and, once again, doesn't mention our pre-petition pari passu mortgages.

The net effect of this is that it's conceivable that if they were to convince the Court that they have a diminution in value replacement lien, their replacement lien could actually trump our pari passu mortgages that we've had for years.

THE COURT: Well, could we address your concern by

additional language that would say something like "Unless otherwise ordered by the Court, nothing in this paragraph will be deemed to affect or restate the second amended" and restate it in a credit agreement? In other words, whatever that agreement says, it will continue to say relative to this bankruptcy unless the Court orders otherwise.

MR. RICOTTA: I don't have any problem with that, your Honor. We've been -- we filed something that took an aggressive position on our side. They filed something and took an aggressive position on their side. We have no problem with what you suggested. We have actually -- just in the last 24 hours, we suggested that. We have no problem with that.

All we want is that whatever this final order says with respect to replacement liens, everybody should get one as adequate protection, and whatever the priorities are, that can be figured out later.

THE COURT: All right.

MR. RICOTTA: Because, once again -- and I want to point out one great place where we may not get to it, your Honor, which I'm going to have to say I'm going to put right back on the Debtor. The Debtor is making arguments that we are and all the secured creditors are, what is it, 26 to 47 percent over-secured. I told your Honor earlier we don't agree with that. But, nevertheless, if that's the case,

your Honor, and that's their position, we'll never get to this issue. There'll never be a point in time where we have to worry about replacement liens because all the secured creditors will be paid out in full on their original liens.

THE COURT: All right. All right. Maybe the thing to do then is with respect to the Court's suggestion -- I don't know if you have a response to that. If so, maybe we can adopt it or adopt some version of that and then move on to any other objections that we may have.

MR. WHITMORE: Your Honor, Clyde Whitmore for U.S. Bank as the Series 2017 notes Trustee. If I could just respond to a couple of questions. This is a very long final DIP order and has lots of provisions.

I would just point out that the Court order already does substantially refer to the inter-creditor agreement in important ways I think consistent with the Court's comments. So -- so if -- turning to -- there's a paragraph here in the beginning about the inter-company -- inter-creditor agreement.

UNIDENTIFIED SPEAKER: Paragraph (f) on page six.

MR. WHITMORE: Thank you. Paragraph (f) on page six, your Honor, reads:

> "Pursuant to Section 510(a) of the Bankruptcy Code, the second amended and restated inter-creditor agreement dated

December 1, 2017 and any other applicable inter-creditor subordination provisions contained in any pre-petition secured documents shall remain in full force and effect with respect to the pre-petition and post-petition assets of the Debtors as provided therein, shall continue to govern the relative priorities, rights, and remedies of the pre-petition secured creditors, including the relative priorities, rights, and remedies of such creditors with respect to the pre-petition replacement liens and adequate protection super-priority claims granted or amounts payable by the Debtors under the interim order and the final order or otherwise in modifications of the automatic stay and shall not be deemed to be amended or altered or modified by the terms of the final order or the DIP financing agreements unless expressly set forth herein."

And then also, turning back to the paragraph we were looking at, providing for the replacement liens

themselves, which I believe is paragraph 5(a) -- it's a long paragraph. I'm sorry. I'm looking at the new on, page 21.

THE COURT: Yes.

MR. WHITMORE: It carries over, and it has a stand-alone sentence near the end of the paragraph that has been talked about here, your Honor, that's near the end on page 21 that says:

> "With respect to the pre-petition collateral that is the subject of the inter-creditor agreement and any proceeds of the pre-petition collateral or pre-petition replacement liens related thereto shall be allocated among the pre-petition secured creditors in accordance with the terms of the second amended and restated inter-creditor agreement."

So we do think there's been an effort to preserve the inter-creditor agreement with respect to those assets and matters that are covered by the inter-creditor agreement.

THE COURT: All right. Thank you.

MR. COCO: Good morning, your Honor. Nathan Coco on behalf of U.S. Bank as 2015 working capital note Trustee.

Your Honor, with regard to the remediation

requirement, the section five that Mr. Ricotta mentioned, it has always been our understanding that that remediation carve-out, if you will, for lack of a better term, was captured in a language that Mr. Whitmore just quoted to the Court that's already in the order that preserves the effect of the inter-creditor agreement. And if that were the sole issue making it clear in Section 5(a) or 5(d) that that remediation requirement is not somehow overwritten by the replacement liens, then, you know, we -- I think at least my client would be willing to agree to include a narrow clarifying language on that point.

You know, the remediation provision is in there just to address a circumstance where, you know, the hospital is being sold to a for-profit. It has a negative tax consequence, and that negative tax consequence would be visited upon both the note holders and the bond holders, and so that there needs to be -- you know, there needed to be a provision that addressed that, and the Debtors have filed a motion to sell one of those hospitals to the County, Santa Clara. So I don't think it's implicated at all with respect to that sale, but to the extent it was implicated in a subsequent sale to the St. Francis Hospital, you know, it was not our intention to override that provision, and we're happy to language being placed in the order that would make that more clear.

THE COURT: All right.

MR. COCO: But with respect to the more -- if I may, your Honor, with respect to the larger issue of whether or not the replacement lien for the senior secured creditors here should be senior to the replacement liens being provided to the junior creditors, the 2005 bond parties, we believe that it is necessary, and the suggestion at this late stage that, well, we'll just put in neutral language, you know, which none of us have seen that, you know, kicks the can down the road or allows parties to decide later on what their respective priorities may be, isn't neutral in effect. And I'd submit to you that's why it's perhaps being graciously proposed at this juncture. And what I mean by that is the concern that we've had all along, the prejudice that our senior collateral, you know, could conceivably suffer in light of the Debtor's liquidation, is that the hospitals to which, you know, we hold a senior lien -- we've got a senior lien with respect to all accounts and cash collateral, but we also have a senior lien with respect to the physical assets of St. Francis and St. Louise which everybody agrees are the most valuable assets among all the Debtors, and based upon the timing of the sales as the Debtors have put forth the sale process, those hospitals -- hospitals to which we hold a senior lien are going to be sold before the remainder of the hospitals to which the

master Trustee holds a deed on the physical assets.

And so the concern all along and the concern that the Debtors have tried to solve through the adequate protection regime they devised, along with Ally Bank, is what happens if St. Francis is sold, St. Louise is sold, the sale proceeds associated with those hospitals are used to repay the DIP in whole or in part, there's no more accounts receivable that's being generated to replenish our pre-petition senior collateral. The proceeds from the sale of the physical assets are gone, and at that point I think I've got a high degree of confidence in my predictive powers about what the master Trustee's position will be at that juncture in the case, which is to say "Hey, there's neutral language in the order that says that the inter-creditor agreement applies." But, unfortunately, your Honor, there's no longer any senior collateral to which it can apply. So, therefore, the master Trustee is first on everything that remains.

And they -- it would have the effect, the "neutral language" would have the effect of wiping out the very purpose of the inter-creditor agreement, which is to ensure for all time in all respects -- that's the language in here -- that the senior note Trustee's collateral interest is, in fact, senior. And so it's hard for me to respond to language we haven't seen. But the notion of let's just

agree to neutral language, it won't have a neutral effect, and the very circumstance that the inter-creditor agreement was designed to protect. And, as a myriad of cases which we've cited and, frankly, the master Trustee has cited in its papers say, the purpose of adequate protection, the central tenet is to make sure the parties have their bargained for protections and priorities.

In this instance, our clients, the 2015 Trustee and the 2017 Trustee, negotiated for priority with respect to all accounts, and the proceeds of the physical assets of St. Francis and St. Louise and absent a replacement lien that gives us priority, those assets and the proceeds could be depleted and all of a sudden the entire senior priority and the very basis of the inter-creditor agreement will just become moot. And so that's what we're trying to protect again. So we think the adequate protection regime that has been proposed by the Debtors and has been agreed to by the lender satisfies that requirement.

THE COURT: Now, the Court has also proposed some language, and I think that that type of language, although arguably it already appears in the proposed order, can also be more clearly put forth in paragraph 5(a) providing that, unless otherwise ordered by the Court, the agreement that was previously entered into, the inter-creditor agreement, and its terms will apply. And I think that -- that's all

the Court would be willing to do because to do anything further I think invites a great deal of mischief in an area that we actually don't at this point need to get into because it really depends upon the structure of the sale, and we may never get to it, as has already been pointed out.

All right. Thank you.

MR. COCO: Thank you.

MR. WHITMORE: Your Honor, Clark Whitmore for U.S. Bank as the 2017 Trustee.

So the -- just to be clear, the inter-creditor agreement doesn't say the master Trustee is first as to certain collateral, U.S. Bank as notes Trustee is first as to other collateral. It just -- it simply subordinates a subset of the best collateral where the master Trustee subordinates that to U.S. Bank.

So saying that that agreement will be applicable is appropriate, and we -- we want that language to be in there, and -- and it is -- it doesn't necessarily answer the question of the -- the priority with respect to assets that are not within the scope of that agreement.

THE COURT: Right.

MR. WHITMORE: Okay.

THE COURT: I think that's the idea is I --

MR. WHITMORE: Yes.

THE COURT: -- think -- and we'll reach that at

another juncture.

MR. MONTGOMERY: Your Honor, can I just speak to the -- the inter-creditor agreement issue?

UNIDENTIFIED SPEAKER: No. You can speak about everything else.

MR. MONTGOMERY: Okay. So, your Honor, if I understand the Court's suggestion is that you would take the phrase that currently appears on page seven of the proposed order in paragraph (f) and you would add the phrase "Unless otherwise ordered by the Court, the inter-creditor agreement shall not be deemed to be amended, altered or modified by the terms of this final order or the DIP financing agreements," and that you would take that phrase and that you would insert it in paragraph 5(a) immediately after the discussion of the restated inter-creditor agreement. Is that what the Court is proposing?

THE COURT: That's correct.

MR. MONTGOMERY: Obviously, that's acceptable to the Debtor, your Honor.

THE COURT: All right. Very well. Anything further on that?

MR. RICOTTA: Your Honor, I'm sorry. Just let me confirm --

THE COURT: I'll let you know when we're off this.

MR. RICOTTA: I apologize. Your Honor, that

concept, obviously seeing it in black and white, that concept is fine with us as we said earlier. I just wanted to make sure it was on the record, and you told me I had to speak into the microphone.

THE COURT: All right. No. I appreciate that.

All right. Very well. Anyone else wish to speak on the -- on the motion with respect to the final hearing on the DIP finance? If not -- oh, I'm sorry. Yes.

MR. BRAY: Your Honor, Gregory Bray for -- proposed counsel for the Committee. We do want to speak to several of the issues that you addressed in the tentative. I want to take a couple more swings at this, especially in light of your finding that the secured creditors are, in fact, over-secured.

Before I do that, I do want to just take one moment and introduce the Committee to the Court. There are nine members of the Committee. It's a large committee, vendors, the PBGC, the unions, tort claimants. The U.S. Trustee appointed a very broad representative base of creditors of the Committee. They obviously have different interests, all bound together by the fact that they want to maximize value for unsecured creditors.

The -- the unsecured claims pool, at least according to the Debtors, is about $500,000,000. So it is essentially or close to the same size as the senior -- as

the senior secured lenders or the secured lenders' asserted claims. And that's why you've seen in our papers our expression of concern in many respects about what's happening. The Committee supports the financing efforts of the Debtor. The Committee acknowledges that the Debtor has a significant funding shortfall well north of $100,000,000, and that it is in the best interests of all the stake holders to have that shortfall solved and to maintain the value of the business.

Where the Committee has a problem is that the Committee wanted to ensure two things principally. First, that the DIP financing isn't used by the lenders to essentially take the value that's created or used in connection with the DIP financing in preserving their collateral and essentially push all the costs associated with the DIP financing, the $100,000,000 or more, onto the unsecured creditors, and our concern is that's exactly what's happening is that we -- because we are unsecured, are at the bottom of the food chain.

Having said that pre-petition there are only collateral pools here. There is no lender that has a blanket lien on all the assets, and that to us is a very distinguishing factor in this case. You have what I generally call the hospital pool of assets and then the holdings pool of assets roughly speaking, and the note

holders who've been up here have the hospital pool, and there's a separate smaller facility with respect to the office pool.

Implicit in that or at least is the possibility that there is value for unsecured creditors in both of those collateral pools, and our objective was to preserve that value, to have the Court grant the pre-petition lenders' adequate protection liens on the assets that they would pledge pre-petition but not to let the lenders essentially cross over or indirectly cross-collateralize their pre-petition claims through the granting of the additional adequate protection liens on assets they did not have a lien on pre-petition.

And the Court's finding in your tentative that the lenders, each pool of lenders or each collateral pool, the lenders in that pool are over-secured by over 20 percent, not even blending the two together but individually we think bears on the need and the scope for the adequate protection. The finding of the adequate protection as you -- or the equity cushion, as you yourself said, your Honor, suggests that there is no need to grant the lenders additional liens on assets they didn't have pre-petition. Certainly they're entitled to replacement liens to the extent they actually prove diminution in value, which is a fight for another day, but -- on the assets that they were pledged pre-petition.

We don't dispute that.

But, again, crossing these assets over so there's essentially value on the petition date that was effectively free and clear and available for unsecured creditors is now being essentially committed to the pre-petition lenders who I have to assume will assert a diminution claim against the entirety of that value for the $100,000,000 of the DIP financing that's coming in, but the DIP financing coming in is being used to preserve or protect their collateral.

So the unsecured creditors, to some extent, are getting whipsawed here. Everyone's saying bring the money in, give us the liens on all the assets, take all the value from the unsecured creditors, and have the -- those creditors shoulder the risk that the sales don't draw the numbers that we hope they sell -- that they hope they do. But no matter what, no matter what the sale price is, unsecured creditors in terms of their recovery are $100,000,000 or more worse off after the DIP loan comes in than they were pre-petition. That's a significant amount of money.

And what we were trying to do in our objection was to essentially preserve or level the field on that issue. To the extent that the Court was inclined to grant replacement liens, we wanted to limit it to the assets that they had pre-petition.

We also wanted to reserve the right to surcharge because this, at least on its face, is a classic case for a surcharge. The lender's collateral is being preserved by the DIP proceeds. I don't think anyone could realistically contest that. Otherwise, why are we here? If it's not going to preserve value or enhance going concern value, there's no need for the DIP. So I think everyone would have to stipulate that that's the case.

The real question is at the end of the day, when the sales are done, the moneys come in, and we're negotiating a plan, which creditor body, the unsecured creditors or the secured creditors, should bear the brunt of the expenses or the costs associated with the DIP loan. And our position was that down the road, those issues should be resolved, not now. But by waiving effectively the surcharge and granting the pre-petition lender's liens on the post-petition assets, we don't have a level playing field. Essentially those costs, absent a very strenuous fight on diminution, will -- will be lost. So the unsecured creditors' recovery will have been diminished principally by the provision of the DIP loan. That was the reason why we were pushing on these issues as we were. We weren't trying to stop the DIP financing. Matter of fact, these arguments don't even apply to the DIP lender.

Our concerns are solely and principally with

respect to the pre-petition lenders, and I'll say it again, trying to maintain a level playing field so that when it comes time to negotiate a plan and divvy up the value that was created through the sale process, the Court has the ability to decide how to allocate the DIP and the expenses associated with the DIP between the two creditor bodies.

That's all we're trying to do. And we would submit especially given your finding that the senior lenders or the secured lenders are over-secured, that there is no legal requirement that they be granted liens on new assets. There is no legal requirement as to the pre-petition lenders that surcharge be waived.

The Court found at least as -- with respect to the dissenting lender, that the equity cushion was sufficient in and of itself to provide adequate protection to justify the priming, at least as I read your tentative, and that's significant.

Now, of course, I understand the Debtor's position. We're worried that, you know, the DIP lender will walk or we may lose our deal. Again, we are not attacking the waivers with respect to the DIP lender, only with respect to the pre-petition lenders and only to maintain a level playing field in terms of allocation of these costs down the road.

THE COURT: All right.

MR. BRAY: One more issue, your Honor.

THE COURT: Very well. Yes.

MR. BRAY: The -- the budget. This is a large case, a billion dollars in debt, between seven and eight hundred million dollars at least right now of value. It's a very very large case, and the Committee has a statutory duty to both be to some extent partner and counter-weight to the Debtors. And the Committee obviously takes their -- takes their role seriously.

The Committee has a duty to independently analyze the Debtors' businesses, to independently make a judgment about the wisdom of a sale, to independently analyze the terms of the sale agreement to determine if it, in fact, maximizes value, to negotiate the terms of a plan with -- with the company. Those things were all set forth in the Code. I don't think anyone could question that. To do those things in a case of this size you have corporate issues, M and A issues, tax issues, regulatory issues, potential litigation, and then bankruptcy issues. There are a number of highly complex issues that have to be looked at, and we have a very complex corporate structure in the sense that you had certain entities acting as bankers for the rest of the entities, even though they're not necessarily integrated companies. These are stand-alone hospitals. Certain of the -- certain of the Debtors essentially have

been providing the cash flow to support the losses of the other Debtors, and our suspicion is that there's been a fair amount of commingling of claims. One of the -- one of the duties of the committee in this case is going to be to go through all that and understand how these claims should be placed. I'm sure -- I hope -- I shouldn't say I'm sure. I hope the Debtor has good books and records there so we can do that, but it's an enormous task to properly allocate how the claim should be placed against the Debtor, both trade and secured claims against the entities that actually receive the value for -- for the loan proceeds.

The fact that Debtor A received a loan from -- from a lender, even the DIP lender, for example, and then immediately takes that money and sends it over to Debtor B, just because that's the way the accounting system works, doesn't necessarily mean that it's appropriate that Debtor A that was a conduit, is now an obligor for that loan. It didn't receive any benefit. It just simply acted as a conduit for Debtor B. And our concern is that's what happened pre-petition as well.

So there's a lot of work to be done in this. I don't know what the outcome is. I don't want to prejudge that, but I do know it's complicated, and it will take time.

THE COURT: So you think the budget ought to be bigger?

MR. BRAY: I think the budget should be -- we -- we would propose -- excuse me. I have a bit of a cold. Our experience is that in a case of this size, the budget should be between 35 and 50 percent of the Debtor's budget. That's where we've come out in numerous cases of this size, that that's --

THE COURT: Well, the thing is that you've described, first of all, a garden variety case that for purposes of the analysis of transfers, that's -- that's just a computer program that you plug the numbers in and it will tell you what you can get. The other aspect of what you're talking about describes a case that we really don't have here. That's an ongoing case, one that's going to reorganize as a going concern.

Here we're talking about liquidation and liquidation on a very short order because, as indicated in the Court's tentative somewhere, they're bleeding cash at an unsustainable rate. So it isn't going to be around for very long.

MR. BRAY: I understand, your Honor, and we've been in this situation before, and what that usually means is it doesn't -- it doesn't absolve the Committee of its responsibilities.

THE COURT: I'm not suggesting it does.

MR. BRAY: And what it does mean is that the costs

tend to run to the higher side because we're moving at such a fast pace. Bear in mind with me that the company, the company's lawyers, have had months, if not more time, to familiarize themselves with the complex corporate structure, complex capital structure, a lot of issues, tax, regulatory, all this stuff. They've had months to do this.

The Committee's advisors are also responsible for understanding this stuff on an independent basis or as independent as it can possibly be, but we're essentially being force fed this information in a very compressed period of time. So it's not cheap. I grant you that, but it's a necessary obligation to the Committee, and the compressed time frame to some extent only enhances or magnifies the cost associated with it, but it doesn't mean we still don't have to do the work. In fact, I would suggest that given that the unsecured creditors are ostensibly at the bottom of the economic recovery in this process, it's more important than ever that the Creditors' Committee as the fiduciary to the unsecured creditors be given ample room in the budget to do what it needs to do to maximize the value for unsecured creditors. There is tension here. The Debtors have a different fiduciary duty than the typical for-profit company. This is a non-profit enterprise whose duty, whose board has a duty to the mission. The mission is not the same as the stake holders. So it's principally the --

principally falls upon us as the Unsecured Creditors' Committee to protect the interests of the unsecured creditors. I'm not suggesting that the Debtors have acted or will act inappropriately. I want to cut that off right now. We've got a fine relationship with them, but they have a different fiduciary duty, and there is tension between the mission and obligations to stakeholders. And hamstringing the unsecured creditors with a budget that we don't think is going to be near enough to do the job is not going to maximize a recovery for unsecured creditors, especially in a sale process where if this DIP is approved, we as unsecured creditors have the highest motivation to squeeze every possible dollar out or the most value out from the sale, because we're the ones who are the most impacted by that process.

THE COURT: All right. Well, the tentative indicated that we agreed with an increase to $250,000, and I think that's appropriate at this point. So that's probably where we'll stay.

All right. Anything else?

MR. BRAY: No. Thank you, your Honor.

MR. LAPPING: Your Honor, Richard Lapping for the Retirement Plan for Health Employees. This is a complete change in subject except it has to do with the budget. And the issue in your tentative ruling for this case, for this

particular motion, you basically said we're denied -- you sort of lumped us up in with the Unions in subparagraph (g) and shifted us over to the pre-petition wage motion, but our objection relates exclusively to administrative claims earned and arising post-petition, and they're not in the budget for a couple of different reasons. One is because the billing -- let me explain.

We are a multi-employer pension fund. The three major employers were the Debtor, Sutter Health, and Dignity Health, and under the current situation, the nurses who work at St. Louise --

THE COURT: Well, let me stop you there because I think we're getting to other motions that we'll be hearing today, but I want to nail these one by one. Otherwise, we come out ahead, we don't know what we did.

So as far as the final authorization for the post-petition financing, I'm going to grant that pursuant to the Court's tentative --

MR. AMKRAUT: Excuse me, your Honor. I also wanted to be heard on that.

THE COURT: On the DIP finance?

MR. AMKRAUT: Yes.

THE COURT: All right. Not --

MR. LAPPING: Your Honor, could I just ask that if we're going to preserve this issue for a later argument in

connection with a different motion, that this motion can be reopened if we can convince you that we should be included in the budget?

THE COURT: All right. I think I understand the request, and that's without prejudice, yes.

MR. LAPPING: Thank you.

MR. AMKRAUT: Your Honor, I'll be very brief. Again, Robert Amkraut for Swinerton Builders.

I think there were some things that were overlooked here. I'm not aware of any showing of the value of Seton Medical Center, which is the only property to which Swinerton Builders has a lien. We've kind of been lumped together with everybody else, all these very big players. We're owed $1.2 million. That's the value of our lien. So it's hard to see how we are adequately protected, particularly in light of the anti-marshaling provision. So in a nightmare scenario, Swinerton, even though it has a lien, could get wiped out even when there's money left over to pay unsecured creditors.

So I'd suggest that there's also nothing on the record showing that the 2001 deed of trust actually does work, that the current lenders are beneficiaries of that. That may be the case. I don't know. But, most importantly, we only have a lien -- we're a junior lien holder apparently on one property, nothing else. So I'd ask the Court to

reconsider and allow marshaling at least as to Swinerton Builders' $1.2 million claim.

I also, for the record, respectfully disagree with the overall adequate protection finding, but that's for another day I think.

THE COURT: Well, I think that's for today.

MR. AMKRAUT: Okay. Fair enough.

THE COURT: Right. All right.

MR. AMKRAUT: But I'm focused on -- on this one property. We're in a different position than everybody else who has a pool of assets to look at. We're a small -- we're a builder. We're not at the same, you know --

THE COURT: Well, I understand that, but as far as the ultimate determination about the appropriateness of the DIP financing, I haven't heard you express an objection with respect to that aspect of it.

MR. AMKRAUT: I'm objecting to the proposed language in the order that says there will be no marshaling, and it's in two different places in the order basically.

THE COURT: Well, because that's -- that's the reference with respect to the -- the agreement that we had addressed in the -- the replacement lien agreement or the inter-creditor agreement, which provided for no marshaling as I understand it.

MR. AMKRAUT: That's -- I mean, the order is

pretty clean on its face, and it simply says there is no marshaling. There's also a provision in the order that allows the Debtor to allocate sale proceeds, and that, of course, is dangerous.

THE COURT: All right. I'm inclined to keep those.

Anything further?

MR. AMKRAUT: Thank you, your Honor.

THE COURT: Thank you.

Then, as indicated by the Court, the DIP finance order is approved subject to the modification of language as set forth on the record here and consistent with the Court's tentative. That will be --

MR. MONTGOMERY: Thank you, your Honor.

THE COURT: -- placed on the -- the docket for all to review.

All right.

MR. RICOTTA: Your Honor, may I just ask for a clarification? You mentioned a $250,000 number. I'm not sure what that reference was to.

THE COURT: I thought that was the request that was made by you in your papers for an increase from the $100,000 to --

MR. RICOTTA: Oh, for the -- to investigate the lender's pre-petition liens and claims, yes.

THE COURT: That's right.

MR. RICOTTA: So you granted that?

THE COURT: Yes.

MR. RICOTTA: Thank you.

THE COURT: All right. Let's turn now to item five on calendar. This is the motion with respect to pre-petition wages, and let me -- the Court has issued its tentative ruling. If anyone wishes to speak in opposition to that tentative, I'll hear you now -- or in favor of it, whichever you'd like.

MR. ALPERTS: Your Honor, Sam Alperts on behalf of the Debtors. We are going to rest on the tentative ruling with respect to this motion. There were some questions that the Court posed at the end of the tentative ruling which I could address at this point or after you've heard from the objectors. We also have brought a redline of the order in order to show you how we've resolved those issues. We've circulated that redline to the objectors and have not heard any -- any opposition to what we have put into it. So I'm happy to sit down at this point.

THE COURT: Why don't I see that. Yes.

MR. ALPERTS: Okay.

(Pause.)

THE COURT: And if you'll just highlight for the Court the additional language that you've referenced. This

would be Exhibit X, for the record.

MR. ALPERTS: Okay, your Honor. The tentative ruling -- this is in the very end of it -- there were questions that you had concerning RPHE, UNAC, and CNA in terms of inclusion of them in the treatment that's being granted to SEIU.

What I'd like to do is just walk you through the proposed final order which will address these questions, and I think go through -- go through the points.

What we've done is we really worked off of the interim converting it to a final. So we've changed the title on the first page and the date. The second page what we've done is just identified all of the pleadings that have been filed in opposition or -- and in reply to this motion. We've indicated on page three that other than as expressly resolved under the terms of the order, the objections are overruled, and that the relief is granted on a final basis.

So then we move into the meat of the order, and the first change appears on paragraph four, on page four, and what this was done was to recognize that the Debtor will honor all CBA's, not strictly the SEIU, any CBA. That was a request by the California Nurse's Association. We thought it was a good request. So we added it.

The second change appears in paragraph seven, and what we've done there is we've made it very clear that with

this additional language that to the extent that there are other unpaid pre-petition Union obligations that constitute a priority claim under Bankruptcy Section 507(a)(4) or (a)(5), they may be paid subject to availability under the priority cap of 507(a)(4) and (a)(5). Whatever the Union obligation is, as long as it meets the requirements of 507(a)(4) or (a)(5) and there's money in there, it will be paid. We think that there should be more than enough money with respect to the amounts that may have been unpaid for the 180 days.

Paragraph 10 was a request by the Unsecured Creditors' Committee, and it has to deal -- do with severance. Their concern was to make sure that we weren't paying severance for anybody who was terminated pre-petition. We're not. However, there are people that are terminated post-petition, and what we've done here is indicate that we are going to continue with the severance program but recognize the distinction between pre -- amounts earned pre-petition and post-petition, and this language is -- reflects the law on that. We found it to be an acceptable change. It's something that actually aids us as we go forward through the case. If somebody is terminated and there is money within the priority cap to cover their severance, we're going to cover it. If there are amounts that have been earned post-petition, we're going to cover

that as an administrative expense.

THE COURT: All right.

MR. ALPERTS: That's all that does.

So we move forward, your Honor, to paragraph 24, and here's where we -- I think we get to the real meat of both your questions concerning payments with respect to the RPHE plan and how it's going to be done, and what we've done here is we've added a clarification that contributions for active California Nurse's Association, CNA-represented employees accruing new benefits into the Retirement Plan for Hospital Employees and the Verity A Retirement Plan, in the amounts and on the dates set forth on the schedule attached to the declaration that was filed in our -- our reply, we're going to pay those amounts.

Now, it's important to recognize, your Honor, that the Debtor has two types of defined benefit and contribution plans. They are -- in the Defined Benefit Plans, there is a multi-employer plan which is known as the RPHE, and then there is something called the Verity A Plan, which is a single-employer plan, which was converted from a Church plan to an ERISA plan.

The amounts under those two plans for the most part are all obligations that accrued before there was a Verity. It was at the time of the Daughters of -- of Charity. Those amounts actuarially speaking, are not only

pre-petition, they're long before the 180 days. There is one group of employees, however, that the plans are not frozen as to, and that's the CNA, California Nurse's Association. Those amounts will -- are accruing, and those amounts will be paid as they come due in the ordinary course, and we actually have an actuarial schedule that we've attached to our reply from our -- our actuary -- actuary, who goes through and indicates what is pre-petition, what is post-petition, and what applies to the CNA nurses. And those payment dates are actually set by the RPHE, and those payment dates come due starting next year. And we have -- we have indicated we will pay those amounts. Those are actually the same actuarial amounts that the RPHE indicates is due for the CNA nurses.

So what we've done here is we've indicated we will continue to make those payments. What we've also indicated is that for wages and other benefits accruing post-petition for employees, whether they're represented by the CNA, the UNAC, the SEIU, will continue to pay them, and why is that important? Well, your Honor, obviously we want to make sure these employees are paid their wages, but these -- these employees are also participating in defined contribution plans.

So while a number of these unions are no longer having employees accrue benefits under the defined benefit

plan, they are receiving benefits under the Defined Contribution Plan, which we are continuing to make payments on because that's for active employees. Just like their wages, they should get paid for their work post-petition, and what we've also done is we've paid for any amounts that were owed pre-petition, and all of those amounts were basically stub payments, because you keep current on the defined contributions when you pay them their wages. You also contribute to their Defined Contribution Plans.

So when we filed for bankruptcy, there was not a lot owed to those plans. What little was owed has been paid. It fell within the priority cap, and going forward, we're going to continue to make those payments, and they're in the budget. All of these amounts are in the budget.

THE COURT: All right. Thank you. That does respond to the Court's inquiries. I appreciate that.

MR. ALPERTS: Thank you.

THE COURT: Anyone else wish to be heard on the pre-petition and wages motion? If not -- okay.

MR. LAPPING: Good morning, your Honor.

THE COURT: Good morning.

MR. LAPPING: Richard Lapping for the RPHE, the Retirement Plan for Health Employees.

THE COURT: Yes.

MR. LAPPING: Our conundrum is -- what happened

with us is we had about a $4,000,000 payment. It was owed on August 15th, two weeks before the bankruptcy was filed. That -- those contributions related to the calendar year 2017. We are not contending here that those -- that that payment or any part of it should be entitled to administrative priority, whatever. It shouldn't be in the -- 180 days prior, it doesn't belong -- we contend -- we concede that that's an unsecured claim.

Similarly, if there is a withdrawal liability, which it looks like there will be under the terms of the current proposed sale of Saint Louise and St. Francis and O'Connor -- Saint Louise and O'Connor, then there will be a withdrawal liability claim north of $200,000,000. Again, that -- we concede that's an unsecured claim.

Our focus was on the administrative claims going forward, and the Debtors' position is, number one, because of the way the participants in the multi-employer plan set up the billing, contributions for calendar year 2018 do not commence to be paid until 2019. And so we have a problem in that today the members of the CNA are going to work, and the premise of the motion, the DIP financing motion, was to enable expenses of the operation of these hospitals to be paid ahead of all other parties, basically part of the carve-out of the DIP loan, and the obvious reason for that is because under law, if you have employees and they work

for you, you have to pay them not only their salary, not only withholding taxes, but under ERISA, the defined contributions that are owed to their pension fund. These are federal regulations under federal law of equal priority in standing with the Bankruptcy Code, and we are not here to argue that Section 1113 somehow upset that. Nothing that I say today is based on 1113. That's not what we're arguing about.

It is the practical problem that when our payment comes due in February 2019, the two hospitals that have no received the services of our employees, similar to the argument made by the Unsecured Creditors Committee, they're going to have been sold, and there will not be -- and all of the proceeds of those sales I predict will be -- anticipate will be used to pay down secured debts. So there will be no proceeds for anybody for administrative claims arising out of those hospitals.

Now, perhaps it can be remedied by allocating or, you know, preserving it with respect to other entities, but the entities that technically owe those proceeds are going to be sold.

Second -- our second aspect of this -- and our position is that these are -- even though we ordinarily bill them next year, we know what they are. We know that these funds are -- these obligations to the nurses for their

pension fund are accruing. It's an actual accrual. So it's part of an administrative expense, and in bankruptcy things are always accelerated because of the practical need to get everybody in court at the same time, on the same page.

The second issue here has to do with the Debtors' accounting of what are considered the legacy concepts, legacy shortfalls in the pension fund. You know, the point is made that, you know, these shortfalls arose under the Daughters of Charity's watch or something to that effect. That's not exactly true. Here's how it works.

You've go a pension fund, and the actuaries look at it and say "Okay. How many people do we have in the plan? What do we need to pay them, and what do our investments need to be in order to maintain that," and then a bill is issued to the participants to cover all of that.

In 2006, on a straight-line basis, everything looked fine, and then along comes 2007 through 2010, and all of these pension funds took a complete beating in terms of the value of their assets. And so the actuarial accounting had to be redone, and under the regulations, that accounting, paying for that accounting, the -- ERISA law allows it to be accrued or amortized over 10 years, and it changes every year depending on how the investments are working.

The Debtors' contention is that, well, that aspect

of the -- called the non-normal accrual, that's a pre-petition obligation. I think under Ninth Circuit law they're wrong, and the point is we rely on Pacific Far East, the Ninth Circuit case, and Debtor argues, well, that case was dismissed by another bankruptcy decision in In Re Steiny where the Court said in an unpublished opinion that this Ninth Circuit case, interpreting administrative claims under the Act, is no longer good law.

However, the problem with unpublished decisions is that they're never really complete. You don't know what -- basically the judge said the trustees of the pension fund are arguing for Pacific Far East to -- it controls here. I disagree.

Well, I went back, and I looked at the pleadings because you can do that under PACER, and all -- what the Trustees of the Unions in that case argued is they argued the UNIMET (phonetic) theory, this theory that 1113 drags all of the pre-petition employee claims into administrative claims, a position rejected by the Ninth Circuit BAP in World whatever.

THE COURT: World Sales?

MR. LAPPING: Yeah, World Sales. No question about that, but the Court could have easily said it's over-broad. That's not what Pacific Far East stands for, at least not how we're interpreting it. Pacific Far East says,

"Look, you've got a pension fund obligation for work that's being done post-petition that's measured." The amount is measured by, you know, pre-petition methods. In Pacific Far East, it basically said the pre-petition method were the number of sailors, number of hours and so on.

In that case, the Debtor argued that's pre-petition claims. The Ninth Circuit said, no, it's just a method of computation to get to the amount. It's just a method of computation, and that was picked up by another case we quote, Columbia Packing, a District Court case from Massachusetts in the First District.

The only -- the only opposition -- the only circuit that has come down on the other side of that is the Sixth Circuit in Sooner Houserman (phonetic) which addressed this. It's obviously not binding like the Ninth Circuit case would be, but if you look at the dissent in that case, they make the same point. If you're going to operate a business and you're going to have employees, you have to abide by the laws. That includes you have to pay the employees and federal law says you have to pay these pension funds and this is how you calculate the amount.

And what they want to do is recalculate and say, no, because part of it was based on, you know, things that happened before we got here, we don't owe this money. That is incorrect under Ninth Circuit law. I think Pacific Far

East binds this Court to accept our argument and conclude that the administrative expenses include not only the so-called normal costs but the non-normal costs which are related to adjusting the amounts based on the investment pool and other factors.

And then, having said that, we're faced with a practical problem. We're not in the budget, and I think in this case if we're not in the budget, for the same reason, you know, we have the same problem I think that all of the professionals in this room and everybody else that's in the budget would have if they weren't in the budget. There's too much secured debt here. There's too much cross-over, and if we are not paid the legally required amount under ERISA that we're entitled to during the operation until the sale of these -- these hospitals, we'll never see those funds, and I think that's fundamentally unfair to the nurses. I think it's a violation of law and should not be allowed by this Court.

THE COURT: All right. Thank you.

Any response? Okay. Anything further?

MR. ALPERTS: Yes.

THE COURT: Yes.

MR. ALPERTS: Your Honor, I think that what's being argued here is effectively 1113 by another name. The fact of the matter is what they're talking about are pre-

petition obligations that they would like to somehow bootstrap up into a different calculation because there may be changes in returns that are occurring now. That doesn't change the nature of the debt. The debt is still pre-petition, and that is not arguable.

The other thing I'd like to respond to is that the dates that we are paying, the amounts that both sides agree are the CNA obligations, are the dates that are set forth in the RPHE policies themselves, which we have attached as Exhibit 3 to our reply. So if you look at the omnibus response at docket 310, it is Exhibit 3. These are the -- the RPHE's funding policies, and they set forth the dates.

So, in fact, what the RPHE is arguing for is to accelerate the payments that might become due, not necessarily will become due because, for example, if a sale occurs earlier and the CNA employees are transferred or whatever, the amount will change because they have not worked for that same period of time.

So we need to understand before we pay that these amounts are accurate, but we have clear payment dates. So -- and, as we've said, these amounts, which are about $500,000, are contained within the -- have been agreed to as being put within the budget. So the first payment that becomes due is as to CNA, $568,000.57, and actually there are three amounts of the same amount. The next one that

comes due is May 15th, and the last one that comes due is August 15th, excuse me, of 2019.

Now, we could have argued that "They are administrative expenses. Let's wait until the end of the case. That's when we can pay them." That's not what we've done. What we've said is this is the schedule. This is the ordinary course of when they're due. We will pay them when they're due.

THE COURT: All right. Very well. I'm going to take a look at the cases once again. The matter is under submission.

Let's go to item three, which is --

MS. GRAY: Can I be heard on item five?

THE COURT: Certainly.

MS. GRAY: Caitlin Gray for SEIU. The SEIU issue is, as the Debtor just clarified, they're going to continue to pay wages and benefits in the ordinary course, including contributions for active employees, with new referrals into the pension plans, but they will not pay contributions to frozen plans where the accruals have been frozen back in 2013. And our argument is that those contributions, those minimum fund-in contributions that ensure that the plans remain able to satisfy their obligations to participants are actually required under the Collective Bargaining Agreement, which governs the terms and conditions of current employees

in exchange for current and ongoing labor.

This is not a request for super priority. Our argument is that within the general priority scheme set forth in Section 507, these minimum fund-in contributions to pension plans should be treated as administrative expenses and paid in the ordinary course.

The collective Bargaining Agreement, which covers the terms and conditions of employment for the workers that are still working for the Debtors provides as a condition of that continued employment that Verity will operate the retirement plan and will make all contributions necessary to satisfy the fund-in and PBGC premium requirements of ERISA and the Code.

This is part of the larger deal covering compensation for that continuing work and what was negotiated with the employees, what they would receive in return for their work are the terms and conditions of the Collective Bargaining Agreement.

And these minimum fund-in contributions to their frozen plans are specifically included in the current Collective Bargaining Agreement even though it was entered long after the plans were frozen, because this was something that was important to employees who are working there now, to ensure that the plans remain adequately funded and able to satisfy their obligations to participants. And because

this is part of employees' compensation, it should be included as an administrative expense. And the controlling Ninth Circuit authority agrees with that. World Sales, again, is not a super priority case. World Sales was an analysis of whether or not obligations under the Collective Bargaining Agreement could be categorized as administrative expenses under the general priority scheme.

The Fourth Circuit explains this really well in Adventure Resources where it explains that even though 1113 does not override the general priority scheme in Section 507, the -- the important analysis then becomes whether or not a claim fits into a category traditionally afforded priority like an administrative expense, and that's the analysis that the Ninth Circuit is doing in World sales.

In World Sales, the Ninth Circuit says that when -- in the portion quoted by the Court, the Ninth Circuit says that during the interim between the filing of the bankruptcy petition and court-supervised modification or rejection of the Collective Bargaining Agreement, working employees benefit the estate, and their rights accrue as services are rendered on the basis provided for by the Collective Bargaining Agreement.

And so the compensation of those employees is governed by the terms of the Collective Bargaining Agreement, and whatever those terms are is what the

compensation should be.

In World Sales, the Court was analyzing health benefits that looked like extra compensation beyond compensation just for the period of time the employees were working, but the Ninth Circuit said that because that was the deal in the Collective Bargaining Agreement, that was the proper compensation.

The Ninth Circuit also looked at severance pay cases and said that even though severance pay didn't look like it was directly compensating employees for work, when it was required by a Collective Bargaining Agreement, it was actually part of the compensation for that work because employees kept working in the post-petition period under the assumption that they were going to get the deal in the Collective Bargaining Agreement, and that deal here includes minimum fund-in contributions to ensure that the pension plans remain able to satisfy their benefits to employees, some of whom are still working and some aren't.

But this is part of what employees demanded in exchange for their labor, and that deal was represented by the Collective Bargaining Agreement. And, again, this argument doesn't actually hinge on the idea that the contract has been effectively assumed even though there's been no lapse of significant time, which was the argument made in the Fourth Circuit case of Venture Resources. The

Ninth Circuit analysis doesn't depend on a finding that the contract is assumed. It's enough that it's just not rejected yet.

Again, in the portion of World Sales quoted by this Court, the Court held that unreformed post-petition obligations under an unmodified or unrejected CBA must be given administrative status. And here, because the CBA has not been modified or rejected, pursuant to the terms of 1113, which set out a really specific set of procedures that they have to engage in order to modify or reject that Collective Bargaining Agreement representing the deal that they were going to pay employees, they have to continue to follow that Collective Bargaining Agreement until it is rejected, and that includes the payment of minimum fund-in contributions.

THE COURT: All right. Thank you.

Anyone else wish to be heard on the pre-petition wage motion?

MS. SKOGSTAD: Your Honor, Kyrsten Skogstad for the California Nurse's Associartion. I'd like to amplify the comments made by the Retiree Plan for Hospital Employees and especially relate them to the Verity Plan A for which CNA has members at St. Vincent.

I think what we need to do is just bring this down a little bit and think about the logic and spirit of the

pre-petition priorities and administrative priorities. Namely, they're to keep employees stable. Right now we have a going concern, and that's great for the creditors, right. We can sell these hospitals. We don't have employees quitting en masse. We don't have mutiny. We need to maintain that level of stability.

And if you look at the exhibit that Verity submitted in their reply, it shows that in -- on September 15th and October 15th, collectively, there was supposed to be under normal conditions a contribution made of $10,000,000 to the fund. Under their current proposal, the fund will only receive $2,000,000. Now, a lot's been said about how the I guess $8,000,000 that will not be contributed is based on past service liability and that shouldn't count, but to the employees on the ground, they truly believe that the money that is going into the pension plan is for their current services. So if you're an employee working and you're now only getting .20 cents on the dollar, you've got an operation in trouble. And I think that's the logic. You know, I've sort of broken it out in a more down-to-earth way, but that's the exact logic of Columbia Packing, and Columbia Packing goes and looks at the legislative history for the pre-petition priorities, and it says "Look, we've got fringe benefits, and we've got wages, and when employees work, they're doing a trade-off between

the two." So we knew that Verity is having to contribute vast sums to the pension plans. So, of course the employees are going to say "Look, we're not going to ask for obscene wages in this case." You change your positions in what you want.

And so I think for those reasons, we cannot take the approach adopted by Verity, which is to divide the pension contributions into amounts due for past service liability and -- I even hate to use the term "past service liability." It's really the amount due to the fact that the pension plan is unable to pay out the current benefits that it should be paying out in a number of years because it's under funded. It's really just a matter of the employees are saying, "Look, I'm working both to help the under funding, and I'm working for these new future accruals" in the case of CNA members who are accruing new benefits.

So, for those reasons, we're amplifying the Retiree Plan for Hospital Employees as well as SEIU's arguments.

THE COURT: All right. Thank you very much.

MS. GRAY: Thank you.

THE COURT: Anything else? Yes?

MR. KOHANSKI: Yes, your Honor. Joe Kohanski for UNAC. Two points. First of all, a parochial one with respect to UNAC. We have a peculiar plan. It's actually a

Defined Contribution Plan, but it's entirely funded by the employer. I do want to say that through work through work through today, we finally understand that this property is fully funded, and we've been able to figure out some things that have been hanging on for a while with respect to that. I just want to put a marker out there that this is something that is still a work in progress for us.

Other than that, just to sort of gloss the comments by the other counsel here, when you go back to those cases, I would suggest thinking in terms of priority versus scope. I think the UNAMET case did everybody a grave disservice by using the term "super priority" because we're not talking about the adequate protection of the super priority. And I think that sort of puts people in the mind-set where they're thinking about elevation whereas I think, as Ms. Gray put it, the real question is what is the scope of what falls in the administrative claim.

THE COURT: All right. Thank you very much.

Yes?

MR. LAPPING: Your Honor, just -- Richard Lapping from RPHE. One final point, just look at the prayer of our motion. All we're asking for is for a reserve, not have these things paid out now. We're just looking for a reserve.

Thank you.

THE COURT: Very well. Matter's under submission.

Let's go to item three, which is the case -- cash management motion.

MS. MORGAN: Good morning, your Honor. Tanya Morgan on behalf of the Debtors.

We submit on the tentative, but I wanted to let your Honor know that right before this hearing, we were on the phone with Committee counsel. And, as you know, they raised a few points in their response, and conceptually, we agree with the points that they raised. We're still tweaking the language in the orders, but to save the Court the time, we can do that after the hearing and are confident that we'll reach an agreement.

So the only open issue on cash management, your Honor, is the Committee's request that the inter-company transfers be afforded super priority claim status. The Debtors still continue to object to that request, and from the Debtor's perspective, that request from the Committee defeats the purpose of the DIP, and the idea that the inter-company transfers are now going to be entitled to super priority claim status before the adequate protection liens is very problematic.

So to the extent that the Committee continues to insist on this status for the inter-company transfers, Mr.

Montgomery will respond as it relates to the DIP and as the Court in its tentative agreed that really that's more in the DIP arena than in this arena.

THE COURT: All right.

MS. MORGAN: That's it.

THE COURT: Thank you.

MS. YIP: Good morning, your Honor. Hatty Yip appearing on behalf of the United States Trustee. Just one comment. The United States Trustee had originally objected to the cash management motion and the Debtors' request to not opening DIP accounts.

We were able to confirm with Bank of America that they have converted all of the accounts payables to DIP accounts and have properly collateralized the accounts. So that's why we did not file an objection to this hearing.

THE COURT: Very well. Thank you.

MR. BRAY: Your Honor, Gregory Bray for the Committee. This is our concern, and I touched on it before. The -- the way the corporate structure works or the accounting system works is you have several of the Debtors or one in particular that acts as a banker for the rest of them. So under the construct that we have, when the DIP lender funds a dollar to the banker -- we'll call it Debtor A -- and what happens to that dollar, if it doesn't get used by Debtor A, it goes to say Debtor B or C. Debtor A's

acting as a conduit.

Debtor A, under the DIP order, has now pledged its assets in the replacement lien with the potential for a claim for having taken in a dollar for the benefit of Debtor B. Debtor A didn't get any benefit for that dollar. It's -- it's just flowed through the system, but the liens purport to attach, and so does the claim purport to attach. So our point was that the super priority, the Debtor A that sent the money to Debtor B that acted as a conduit should get that money back so that basically you're truing up or siloing the money to the -- to the Debtor that really got the value before the adequate protection liens attach. That's our point. It's not that the lenders won't have an adequate protection lien. They'll have an adequate protection lien against the entity that actually received the value of the -- of the draw. That's what we're trying to accomplish.

THE COURT: Now, how does that accomplish that within the context of moneys that flow in for the benefit of all of the entities?

MR. BRAY: Well, the money -- but these are separate entities. There's no substantive consolidation here, your Honor. These are separate siloed businesses, and that's -- that's part of the problem with the DIP is everything is being blended together as if it's one big pool

of assets and value, but it's not. Even the collateral pool for the notes, these are separate independent not related businesses. It just so happens they lent to that collateral pool and took guarantees from each of the entities to secure the obligations. But this is not an integrated business to that extent. There may be certain expenses, but these are separate -- separate businesses unless and until the Court's going to order substantive consolidation, and that's what's happening is to some extent through this process we're getting an informal -- or, you know, a de facto substantive consolidation occurring, and that's what we're concerned about. We want to silo the money going to the entity that's actually using it, and when that entity repays the money, repays it back, the Debtor that actually lent it the money gets the money back and trues up the value that went out in that estate before, you know, the replacement liens attach.

THE COURT: Well, that was my question, though, because the -- when the DIP financing is put in place, it's not with respect to each individual hospital.

MR. BRAY: No. We wish it was. We think that would be appropriate, but the Debtor will tell you their accounting system doesn't allow for that.

THE COURT: That's my -- yes.

MR. BRAY: But that's from -- from the standpoint of allocating value to the claims, who received the actual

value for the dollar that was lent, that would be a better outcome. We're trying to do the best we can to sure that up, recognizing that -- that, you know, that the accounting system that's in place is what we have.

THE COURT: Right, but the point that you're making to me, at least what I'm hearing, is a completely different cash management system than what's in place.

MR. BRAY: No, no, no. We're saying it's -- this is a question of when the -- when the dollar -- inter-company transfers, it's a question of a priority of the repayment of the inter-company transfer.

THE COURT: All right.

MR. BRAY: Okay. The inter-company transfer is going to be allowed under the cash management system. When -- when the dollar comes in from the DIP lender to Debtor A, the question is what priority does Debtor A have to repayment from Debtor B for the dollar, and the question is should Debtor A be entitled to receive the dollar back from Debtor B before the replacement liens with respect to the pre-petition lenders.

We understand the DIP lender has first dibs on everything. We don't dispute that. Next question is who's second in priority. Is it Debtor A to get back the dollar that it gave Debtor B or is it the pre-petition lenders.

THE COURT: All right. Yes?

MR. WHITMORE: Your Honor, Clark Whitmore on behalf of U.S. Bank as the 2017 Notes Trustee. I am a little confused about this -- this idea of an unsecured claim of an estate for a transfer or some how moving around back end our replacement liens not attaching. I think the Court has heard the DIP motion and granted replacement liens that -- that would attach. And so I'm a little confused about how in this cash management order it would be in essence a motion to amend the relief that's already been granted from the DIP order with respect to the replacement liens.

THE COURT: All right.

MR. MONTGOMERY: Your Honor, I rise because it affects the -- the DIP issue. The Unsecured Creditors' Committee very straight forwardly is asking to be put ahead of all of the pre-petition secured creditors with respect to the replacement liens, and that can be seen at page four of document 313 where they proposed that they be junior to the DIP liens but "senior to the liens and claims granted to the Debtors' pre-petition secured lenders as adequate protection pursuant to any order of this Court."

Now, your Honor, they're basically asking on a benefit of the estate theory, meaning available for general unsecured creditors that notwithstanding the fact that all the obligated bonds were joint and several, notwithstanding

the fact that all of the accounts for the hospitals and the obligated Debtor, including our company accounts, were pledged as priority collateral to the U.S. Bank for the benefit of 2015's and 2017's, and notwithstanding the fact that in order to get the DIP financing in place, the pre-petition creditors agreed to let their liens be primed provided that in the event there was diminution they had replacement liens that were senior, the Unsecured Creditors' Committee wants to jump in front of those replacement liens and get between the DIP lender and the replacement liens with respect to inter-company accounts which are already the collateral of our secured lenders.

Now, when I have an unsecured creditor's hat on, I would love to make that argument, but in this deal, it does not work. It will destroy the basic agreement to which, as your Honor saw, with pain, we drew all the pre-petition secured creditors to the table, and we ask you to deny it.

THE COURT: All right. Anything else?

MR. BRAY: I just want to respond briefly, your Honor. It's a question of the priority of the lien because the replacement liens attach. The question is should -- should the Debtor that acted as a conduit receive absolutely no value, zero value, for the dollar that was lent, should that claim essentially come ahead of payment of the creditors. I don't understand the theory for it. It's a

conduit. It received no value other than it -- other than giving lenders a lien on an asset that they didn't have before. So at least let the value move back to that Debtor. Then whatever liens attach attach, but at least it trues up the -- the loan or the dollar to who received the value.

THE COURT: All right. Thank you.

The tentative will be the order on item four.

Item seven is the critical vendor motion.

MR. MAIZEL: Good afternoon, your Honor. Sam Maizel on behalf of the Debtor on the critical vendor motion.

We will rest on the tentative. There was only limited objections filed. I think we've dealt with those requests which all dealt with the parties wanting information about who we were paying, in some circumstances when we were paying the critical vendors. We've agreed to those.

However, I am aware I think that there are parties here who want to make -- having not filed any papers, want to make an oral objection.

THE COURT: All right. Very well. If anyone wishes to be heard in response to the Court's tentative as to calendar item seven.

MR. BIEGENZAHN: Thank you, your Honor. Steve Biegenzahn for Steris Corporation. By way of background,

Steris provides sterilization consumables and tangible equipment, more like kits than large machines.

According to the Debtors' records, Steris holds a $120,000 pre-petition claim. My objection to the relief requested in the critical vendor motion is limited to one item. By way of background, one of the things I love about being a bankruptcy lawyer is you never know everything. There's always something new to learn.

But it's generally a good idea to start with the statute. It occurred to me when I first read the terms of the proposed critical vendor motion that the 549 -- I'll call it clawback -- provisions were just a bit extreme. So I looked at the statute, and the statute says in 549(a):

> "Except as provided in subsection (b) or (c) of this section, the Trustee may avoid a transfer of property of the estate that occurs after the commencement of the case and that is authorized only under Section 303 or 542 and that is not authorized by the Court."

It struck me that the interim order on critical vendors authorized certain payments and that if the Court issues an order on the critical vendor motion, it will have authorized payments. It seems to me then that it is

incongruous to apply Section 549 to say, well, wait a second. If some budgetary or operational or, I don't know, maybe the things supplied by the critical vendor becomes no longer necessary to the operation, that not only can the Debtor demand that payment, but under the provisions proposed in the order, the creditor is obligated to return all of those payment. And it seems to me, your Honor, that that is unjustifiable and inappropriate and shouldn't be approved as part of the critical vendor relief requested.

THE COURT: Well, I quite agree with you that one of the things that we should do is to go back to the Code when we're dealing with bankruptcy. So maybe you can find the definition of a critical vendor.

MR. BIEGENZAHN: I'll stipulate, your Honor, that not everything was covered by Levin and Klee in the beginning, nor has it all been covered since.

THE COURT: Some of it is left up to the Court.

MR. BIEGENZAHN: It is entirely up to the Court. But, your Honor, I don't think the springboard of Section 105 is sufficient to get us to the point where a vendor provides goods or services requested by the Debtor, I assume supported by all of the various creditor constituencies, should all of a sudden have to write a check back because the Debtor decides they can get those same products from someone else or there is some other intervening cause for an

adjustment in the relationship.

THE COURT: All right. Well, I appreciate the argument.

Yes?

MR. BIEGENZAHN: Your Honor, I just want to clarify. That's an interesting technical argument. It's just not how the program actually works. The -- the point to the 549 provision is because what we are buying through these payments of pre-petition claims is the continued participation in the ongoing operations of the Debtor. So the clawback provision is to ensure their continued participation so that we don't pay them on a pre-petition claim only to have them then decide "Thank you for the money" and walk from continuing to participate.

It -- it doesn't provide for us to then unilaterally terminate their participation. It requires them to terminate their participation. So I think under those -- and the party, the Berkeley Research Group, who's here actually doing the hands-on work in making the critical vendor payments agrees with that characterization could testify, but that is -- that -- that is how it's actually working.

So the -- I don't think the argument's well founded, but in any event it's not actually well based.

THE COURT: All right. Well, anyone else wish to

be heard?

MR. MONTGOMERY: Yes, your Honor.

THE COURT: Yes.

MR. MONTGOMERY: Your Honor, my client is two companies that provide consulting for moneys that come from the government, additional moneys under DSH funding, and there's all kind of acronyms, Quash (phonetic) funding, funding from Medi-Cal, based on reports and information from the hospitals, and they look at these reports and modify them to the hospital's benefit. For example, the hospital was to receive $151,000,000 over the next six to eighteen months. My client is directly related to increasing that number almost $17,000,000, and their compensation structure is -- is two-fold. One is they receive some monthly compensation for some of their work on a consulting basis as well as a three percent fee from the money that comes into the hospital, and we're currently in the process of negotiating critical vendor with the Debtors.

But I'm basically here to reserve my clients' rights to that three percent because their services are both provided pre-petition and post-petition for this funding, and as the funding comes in at different parts over the next six to eighteen months and they're doing more work where it will then expand even further, their moneys come in, and then they're supposed to receive this three percent.

So I'd like to reserve the -- my clients' rights because the budget in regard to the Debtors is very broad and has broad categories, and it's unclear whether my clients are included to receive their three percent in -- when these moneys come in. So to the extent that down the road someone argues, well, they're not in the budget, it's hard to understand. Every vendor is not in the budget obviously. So I'd like to just reserve their rights, which is my two clients are Hooper Healthcare Consulting, LLC and Managed Care Support Systems, Inc., to subsequently down the road when these issues arise for the payments if they are argued not to be in the budget, that I stood up and said that there is a reservation of rights on that issue.

THE COURT: All right. Very well.

MR. MONTGOMERY: Thank you, your Honor.

THE COURT: I guess when it comes down to it, people can decide whether they want to be a critical vendor or not, and so that's what it comes down to, and I don't think that 105 is really implicated. I think Jetit (phonetic) actually makes reference to the -- although it's clearly not the holding of the case, to the ability of the Court attaching an order such as the one requested by the Debtor here. So that motion is granted.

MR. MONTGOMERY: Thank you, your Honor. We'll lodge an order.

THE COURT: Very well. Next -- well I'd like to just push through because I think we're close to the end, I hope. Item eight, which is the motion to shorten time to assume or reject.

MS. MOYRON: Good afternoon again, your Honor. Tania Moyron on behalf of the Debtors.

MR. KIRK: Your Honor, Donald Kirk and Mark Neubauer on behalf of St. Vincent IPA Medical Group.

MR. NEUBAUER: We can make this very fast because we've reached an agreement.

MS. MOYRON: Yes.

THE COURT: Wonderful.

MS. MOYRON: So we were prepared to rest on the papers, your Honor. But at the same time, the Debtors want to emphasize that St. Vincent IPA is a very important group, as all of the medical groups are, to the Debtors, and the services obviously the physicians provide are valuable, very valuable. And so we met with counsel for St. Vincent IPA, and we agreed that there would be an order denying this motion without prejudice, but we also agreed, your Honor, that we put four points on the record, and those same points would show up in an order that your Honor would see. Counsel wants to put those points on the record. We have no issue with that.

And so, with that, your Honor --

THE COURT: Very well.

MR. KIRK: Your Honor, thank you. The motion, as you'll recall, sought two things, really, a deadline to assume or reject this risk share agreement and maybe more emphatically, your Honor, safeguards against harms to the group and others in the event your Honor was not inclined to set such a deadline.

And we're happy to announce that we have reached an agreement that guards against those safeguards during the period that the Debtor can analyze this agreement. The agreement is generally that the Debtor comply with the risk share agreement post-petition. In particular, one, that the Debtor will -- this Debtor, St. Vincent Medical Center, will deposit into its accounts, not other accounts, not non-debtor accounts, not non-St. Vincent Medical Debtor accounts, but -- but this Debtor's accounts any revenues relating to the agreement which, in particular, are capitation payments. They would do it.

The response filed by the Debtors suggested that these funds went elsewhere, but they have confirmed today that they will stay with St. Vincent.

Two, that the Debtor -- and this is important -- will honor all post-petition payment obligations under that agreement such as any valid hospital claims as that term is defined in the agreement, any valid outside provider claims,

and interim settlement payments to the IPA on a monthly basis to the extent those rights exist under the agreement.

There's a calculation that there's a $150,000 minimum payment or a calculation if there is a surplus, but that they have agreed to do that. We think that, your Honor, those commitments can make these payments stabilize some of the concerns that we've raised in our papers.

Third, that the Debtor would continue to provide reports to the IPA as it has in the past concerning the risk share pool, with slight enhancements if practical. Those reports would include the monthly interim payment reports, the weekly granular reports backing up that, and then what we've asked for, the enhancement, is that we find out on a weekly, biweekly basis what actually has been paid so we know that the service providers, the hospitals, the people providing the services to the patients are actually being paid and will continue to provide the services to our physicians.

Fourth, there'll be a meeting with the business folks I think within the next few weeks to try to hash these details out.

So, your Honor, we're pleased with this progress. We think it actually helps the goals that you set forth in your tentative ruling, which is to continue the business as it's going forward and enhance the sale process. We think

this brings stability to the Debtor, certainly to us, and will enhance its sale price.

The one thing I would say, your Honor, is that I think the agreement was that we would withdraw our motion without prejudice with -- with these terms being announced, not that the motion would be denied, but that we would withdraw the motion. I would just ask for that confirmation.

MS. MOYRON: Confirmed, your Honor. And I agree with the four points, but I just want to visit point one because it was a little broad, and it made me uncomfortable. So for purposes of the record, what point one as I understand it should be is in terms of this St. Vincent account where the funds go into, there was some confusion and perhaps counsel in the way that it was written thought that there was an account at Verity that it initially went into. And so we are complying with the agreement post-petition in that the health plan funds are going into the St. Vincent lock box account.

THE COURT: Okay. And that's -- there's a report then as to what funds go in.

MS. MOYRON: Right.

THE COURT: All right.

MS. MOYRON: Well, exactly. And now that we are in the bankruptcy world the monthly operating report will

show all of the different accounts and where everything is going.

THE COURT: All right.

MS. MOYRON: So that was the point one as I understood it.

THE COURT: All right. Very well.

MR. KIRK: Yes, your Honor, that's correct. And with your indulgence, if those terms are agreeable to you, we'd work with the Debtors' counsel on the proposed order.

THE COURT: All right. Let's do this then. Rather than to deny the motion, the motion is subject to a stipulation which will be submitted by one or either of you, and the tentative, I think we can strike the tentative because I think I don't want a tentative out there that didn't speak to the actual agreement that will be encapsulated in the order.

ALL: Thank you, your Honor.

THE COURT: Thank you.

All right. The next and final matter is with respect to the corporate credit cards.

MS. MOYRON: Good afternoon, your Honor. Tania Moyron. We've received no opposition, and we appreciate the Court setting this on shortened time, and we would like to rest on the papers.

THE COURT: Very well. Anyone wish to be heard on

the authorization to fund the credit cards? No interest with respect to that, the tentative will become the order. The Debtor will prepare the order.

All right. Anything further for this afternoon?

MR. MAIZEL: No, your Honor. I think that concludes the matters for today.

THE COURT: Very well. Thank you very much.

ALL: Thank you, your Honor.

(Proceedings concluded.)

I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter.

/s/Jordan Keilty 10/5/18
Transcriber Date

FEDERALLY CERTIFIED TRANSCRIPT AUTHENTICATED BY:

/s/L.L. Francisco
L.L. Francisco, President
Echo Reporting, Inc.

FILED & ENTERED

OCT 22 2018

CLERK U.S. BANKRUPTCY COURT
Central District of California
BY evangeli DEPUTY CLERK

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re: Verity Health System of California, Inc., *et al.*,

Debtors and Debtors in Possession.

☒Affects All Debtors

☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
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☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors in Possession.,

Lead Case No.: 2:18-bk-20151-ER
Chapter: 11

MEMORANDUM OF DECISION (1) OVERRULING OBJECTIONS TO THE (A) PREPETITION WAGES MOTION AND (B) FINANCING MOTION AND (2) DENYING MOTION FOR RECONSIDERATION OF THE FINAL FINANCING ORDER

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-20181-ER;

Chapter 11 Cases.

Date: October 3, 2018

Time: 10:00 a.m.

Location: Ctrm. 1568
Roybal Federal Building
255 East Temple Street
Los Angeles, CA 90012

Before the Court are objections asserted by the Retirement Plan for Hospital Employees ("RPHE"), the Service Employees International Union, United Healthcare Workers-West ("SEIU-UHW"), the United Nurses Associations of California/Union of Health Care Professionals ("UNAC"), and the California Nurses Association ("CNA") (collectively, the "Objectors") to the Debtors' proposed treatment of certain defined benefit pension obligations. For the reasons set forth below, the Court finds that the Objectors' request for a determination that certain pension underfunding obligations constitute an administrative expense is not properly before the Court. Therefore, the Objectors' request that the pension underfunding obligations be accorded administrative claims treatment is denied without prejudice to the Objectors' ability to raise the issue by way of motion.

I. Background

On August 31, 2018 (the "Petition Date"), Verity Health Systems of California, Inc. ("VHS") and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.[1] On August 31, 2018, the Court entered an order

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[1] The Court has reviewed the following papers in adjudicating this matter:

1) Emergency Motion of Debtors for Order: (I) Authorizing the Debtors to (A) Pay Prepetition Employee Wages and Salaries, and (B) Pay and Honor Employee Benefits and Other Workforce Obligations; and (II) Authorizing and Directing the Applicable Bank to Pay All Checks and Electronic Payment Requests Made by the Debtors Relating to the Foregoing [Doc. No. 22] (the "Prepetition Wages Motion")
   a) Declaration of Richard Adcock in Support of Emergency First-Day Motions [Doc. No. 8]
   b) Order Setting Hearing on First Day Motions [Doc. No. 18]
   c) Amended Notice of Hearings on Emergency First-Day Motions Filed by Debtors [Doc. No. 34]
   d) Declaration of Service by Kurtzman Carson Consultants, LLC re Emergency First-Day Motions, Exhibit B [Doc. No. 50]
   e) Order Granting Emergency Motion of Debtors for Order: (I) Authorizing the Debtors to (A) Pay Prepetition Employee Wages and Salaries, and (B) Pay and Honor Employee Benefits and Other Workforce Obligations; and (II) Authorizing and Directing the Applicable Bank to Pay All Checks and Electronic Payment Requests Made by the Debtors Relating to the Foregoing [Doc. No. 75]
2) Emergency Motion of Debtors for Interim and Final Orders (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 [Doc. No. 31] (the "Financing Motion")
3) Papers Filed in Opposition:
   a) SEIU-UHW's Objection to [Prepetition Wages Motion and Financing Motion] [Doc. No. 213]
      i) Declaration of Caitlin Gray in Support of SEIU-UHW's Opposition to [Prepetition Wages Motion and Financing Motion] [Doc. No. 214]
      ii) Declaration of David Miller in Support of SEIU-UHW's Opposition to [Prepetition Wages Motion and Financing Motion] [Doc. No. 215]
   b) Limited Objection of Retirement Plan for Hospital Employees to [Prepetition Wages Motion] [Doc. No. 229]
      i) Objection of Retirement Plan for Hospital Employees to [Financing Motion] [Doc. No. 218]
   c) Objection by Creditor California Nurses Association to [Prepetition Wages Motion] [Doc. No. 223]
   d) Limited Objection of UNAC to Debtors' Motion for Entry of Final Order to Pay Prepetition Employee Wages, Etc. [Doc. No. 296]
   e) Limited Objection of UNAC to Debtors' Motion for Entry of Final Orders (A) Authorizing the Debtors to Obtain Post-Petition Financing, Etc. [Doc. No. 297]
4) Omnibus Response to Objections to [Prepetition Wages Motion] [Doc. No. 310]
5) Retirement Plan for Hospital Employees' Notice of Motion and Motion to Alter or Amend Final Order (I) Authorizing Post Petition Financing, Etc. [Doc. No. 559]

granting the Debtors' motion for joint administration of the Debtors' Chapter 11 cases. Doc. No. 17.

On September 5, 2018, the Court entered an *Order Granting Emergency Motion of Debtors for Entry of Order: (I) Authorizing the Debtors to (A) Pay Prepetition Employee Wages and Salaries, and (B) Pay and Honor Employee Benefits and Other Workforce Obligations; and (II) Authorizing and Directing the Applicable Bank to Pay all Checks and Electronic Payment Requests Made by the Debtors Relating to the Foregoing* [Doc. No. 75] (the "Prepetition Wages Order"). The Prepetition Wages Order authorized the Debtors to pay wages and employee benefits that had been accrued pre-petition, up to the priority amounts set forth in §507(a)(4) and (5).

The Prepetition Wages Order further authorized the Debtors to continue to pay, in the ordinary course of business, certain post-petition pension obligations. *See* Prepetition Wages Order at ¶23.

At the interim hearing on the Prepetition Wages Motion, the Service Employees International Union, United Healthcare Workers-West ("SEIU-UHW") requested that the Prepetition Wage Order be entered on an interim, rather than final, basis. SEIU-UHW requested that a final hearing be held so that it could have the opportunity to object to the Debtors' position regarding the payment of various pension obligations. The Debtors did not oppose entry of the Prepetition Wage Order on an interim basis. The Court set this final hearing on the Prepetition Wages Motion to allow the parties an opportunity to object to the Debtors' proposal with respect to the ongoing payment of defined benefit pension obligations. No parties object to the Debtors' payment to employees of prepetition wages and benefits; at issue is the Debtors' ongoing obligation to make postpetition payments in connection with various defined benefit pension obligations.

A. Background Information on Defined Benefit Pension Plans

Defined benefit pension plans are employer-funded retirement plans created for the benefit of both active and inactive participating employees. Under a defined benefit pension plan, a pension fund is obligated to pay a specified benefit to employees covered by the plan upon their retirement and in accordance with the terms of the plan document. Thus, as employees earn their retirement benefits over time, the pension fund is accumulating fixed liabilities that will become due as employees retire and begin collecting their pensions. All defined benefit plans are funded through contributions made by employers that have employees participating in the plan.

Defined benefit pension plans apply the employers' contributions to satisfy three separate categories of costs. First, the contributions are used to pay for the expenses of administering the plan, including, for example, investment advisor and legal fees. Second, the contributions are used to pay for the value of the new benefits that accrue for participants each year. Although there can be some variation in how the value of those benefits is determined, actuaries refer to that value as the "normal cost" of the plan. If, after satisfying both administrative costs and the normal cost, there are any funds remaining from the contribution made by employer(s), those funds are used to satisfy underfunding or to create or increase a surplus.

Thus, at any given point in time, a defined benefit pension plan uses contributions made by an employer to satisfy one of three categories of costs: costs of administering the fund, the "normal cost," and the costs of underfunding. The percentage of contributions allocated to each category of costs varies by plan and depends on a variety of factors, including a plan's funding levels.

B. Characteristics of the Debtors' Defined Benefit Pension Plans

Debtor VHS maintains two single employer defined benefit pension plans—Verity Plan A and Verity Plan B. VHS participates in two multi-employer defined benefit pension plans—the Retirement Plan for Hospital Employees ("RPHE") and the Local 39 Stationary Engineers' Plan (the "Local 39 Plan"). Debtors VHS and Verity Medical Foundation ("VMF") also maintain several defined contribution retirement plans for employees, which are not at issue.

In 2012, the RPHE was amended to freeze all future benefit accruals, except that the freeze does not apply to members of the California Nurses Association ("CNA") employed at O'Connor Hospital, Saint Louise Regional Medical Center, or Seton Medical Center. Employee benefits under the RPHE are calculated under a formula that considers the employee's years of service and compensation. VHS contributions to the RPHE are based on actuarially determined amounts established by the RPHE Board of Trustees.

Verity Plan A has been frozen as to all future benefit accruals, except that CNA members may continue to accrue new benefits. Verity Plan B has been completely frozen, such that no employees are eligible to accrue ongoing benefits.

Verity Plan A and the RPHE are both underfunded, according to documents filed with the Department of Labor in 2016. Verity Plan A holds current assets worth approximately $259 million, but has current liabilities of approximately $423 million.[2] RPHE holds current assets worth approximately $1.06 billion, but has current liabilities of approximately $2.07 billion.[3]

A substantial percentage of VHS' liability under both Verity Plan A and the RPHE is attributable to underfunding costs. For the reasons more fully explained below, at this juncture it would be premature for the Court to make any findings regarding the exact amount of VHS' underfunding liabilities. However, to provide context, the Court notes that according to RPHE, VHS' underfunding liability in connection its pension plan is $2,494,941 for the period from September 1 through December 31, 2018; VHS' liability for the plan's normal costs and costs of administration for the same period is $1,756,757.

C. The Debtors' Collective Bargaining Agreements

Certain of the Debtors are parties to collective bargaining agreements ("CBAs") with SEIU-UHW, CNA, and UNAC. The Debtors have not sought authorization to reject any of the CBAs pursuant to §1113. The terms of the CBAs require the Debtors to continue to make contributions to Verity Plan A and the RPHE.

D. The Postpetition Financing Order

On October 4, 2018, the Court entered a *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* [Doc. No. 409] (the "Final Financing Order"). Among other things, the Final Financing Order authorized the Debtors to obtain postpetition financing from Ally Financial, Inc. (the "DIP Lender") and to spend the proceeds of such financing in accordance with the *Debtor in Possession Budget* (the "DIP Budget"). Under the DIP Budget,

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[2] *See* Schedule SB (Form 5500), Single-Employer Defined Benefit Plan Actuarial Information, at lines 2(a) and 3(d) [Doc. No. 214, Ex. A].

[3] *See* Schedule MB (Form 5500), Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information, at lines 2(a) and 2(b)(4) [Doc. No. 214, Ex. B].

the Debtors' payments to Verity Plan A and the RPHE do not include liabilities arising on account of underfunding.

E. Objections to the Prepetition Wages and Financing Motions Asserted by RPHE, SEIU-UHW, CNA, and UNAC

RPHE, SEIU-UHW, CNA, and UNAC (the "Objectors") object to the exclusion of the Debtors' pension underfunding obligations from the DIP Budget and from the proposed postpetition wage payments. According to the Objectors, pension underfunding obligations constitute an administrative expense that must be provided for in the DIP Budget and that must be paid simultaneously with the Debtors' payment of wages and other operational costs. RPHE contends that if pension underfunding obligations are not paid on a weekly basis, the Debtors' employees will unfairly be forced to bear the risk that the Debtors will not have sufficient funds on hand to pay the obligations at plan confirmation. RPHE asserts that the Debtors' plan to quickly sell the Debtors' two most valuable hospitals heightens this risk. On October 17, 2018, RPHE filed a motion for reconsideration of the Final Financing Order (the "Motion to Reconsider"). The Motion to Reconsider reiterates and expands upon the arguments presented by RPHE in opposition to the Prepetition Wages and Financing Motions, but does not present new arguments or new evidence.

SEIU-UHW, CNA, and UNAC assert an additional, albeit related, objection. According to this subset of the Objectors, the Debtors are required to continue paying pension underfunding obligations unless and until the Court approves the rejection of the Debtors' CBAs pursuant to §1113(f). The Objector's theory is that the Debtors' non-payment of the pension funding obligations constitutes an impermissible breach of the unrejected CBAs.

II. Findings and Conclusions

A. The Objectors' Request for a Determination that the Debtors' Underfunding Obligations Constitute an Administrative Expense is Not Properly Before the Court

Section 503(a) provides that an "entity may timely file a request for payment of an administrative expense, or may tardily file such a request if permitted by the court for cause." Section 503(b) provides for the allowance of administrative expenses after notice and a hearing. Section 1129(a)(9) conditions confirmation of a plan upon payment, in cash, of all administrative expenses as of the effective date of the plan.

According to the leading treatise:

> [The Bankruptcy Code] neither expressly prohibits nor expressly authorizes paying administrative expenses earlier than upon the effective date of a plan …. Generally, courts have held that the timing for payment of administrative claims is a matter to be determined within the discretion of the bankruptcy court. Factors influencing the exercise of this discretion may include the status of the case, the ability of the debtor to pay present claims, the particular needs of administrative claimants and the possibility that future administrative claims may not be paid in full.

4 COLLIER ON BANKRUPTCY ¶ 503.03[2] (Alan N. Resnick & Henry J. Sommer eds., 16th ed.).

In *Spartan Plastics v. Verco Indus. (In re Verco Indus.)*, 20 B.R. 664, 664–65 (B.A.P. 9th Cir. 1982), the court rejected a creditor's contention that it was entitled to immediate payment of an administrative claim, explaining that the "determination of when an administrative expense is to be paid is within the discretion of the trial court." *Verco Industry's* holding has been widely

adopted. *See, e.g.*, *In re LTV Steel Co.,* 288 B.R. 775, 779 (Bankr.N.D.Ohio 2002) (denying immediate payment of administrative expenses because the Bankruptcy Code does not require it and instead requires parity amongst administrative claims); *In re Chi-Chi's, Inc.*, 305 B.R. 396, 401 (Bankr. D. Del. 2004) (stating that "distributions prior to confirmation of a plan are usually disallowed when the estate may not be able to pay all administrative expenses in full"); *Varsity Carpet Serv., Inc. v. Richardson (In re Colortex Indus., Inc.)*, 19 F.3d 1371, 1384 (11th Cir.1994) (holding that due to the existence of higher priority claims, it was within the discretion of the court to delay payment of administrative expenses).

The objections filed to the Prepetition Wages and Financing Motion seek the following relief: first, a determination that the Debtors' pension underfunding obligations are an administrative expense; and second, a determination that the Debtors are required to immediately pay this alleged administrative expense. The Court declines to grant either form of relief at this time.

With respect to the first form of relief sought, the request for a determination that the pension funding obligations are an administrative expense is not properly before the Court. Instead of filing noticed motions seeking a determination as to the administrative expense status of the pension underfunding obligations, the Objectors requested the relief in objections to the Debtors' Prepetition Wages and Financing Motions, and in a motion for reconsideration of the Final Financing Order. As a result of the manner in which the Objectors presented their arguments, the issue has not been fully briefed and the record remains incomplete.

For an issue of this importance and complexity, a complete record is essential. To determine whether the pension underfunding obligations qualify as administrative expenses, the Court must determine whether such obligations qualify as an "actual" and "necessary" cost of preserving the estate. §507(b)(1)(A). Here the determination is both factually and legally intensive, and will most likely require the Court to (1) apply the Employee Retirement Income Security Act ("ERISA"), (2) examine and make findings regarding the actuarial assumptions applied by trustees of the pension plans, and (3) determine what effect, if any, such actuarial assumptions have upon the characterization of the underfunding obligations as a pre-petition or post-petition liability. Because the Objectors did not file separately-noticed motions seeking administrative treatment of the underfunding obligations, the record contains neither sufficient evidence or legal argument to enable the Court to properly decide the issue. Therefore Objectors' request that the pension underfunding obligations be accorded administrative claims treatment is denied without prejudice to the Objectors' ability to raise the issue by way of separately noticed motions.

With respect to the second form of relief sought, as discussed above, it is well established that the Court has broad discretion in determining when the Debtors are required to pay an administrative claim. Even if the Debtors' underfunding obligations do constitute an administrative claim (a finding the Court does not make), nothing in the Bankruptcy Code requires that the claim be immediately paid. Consequently, it is appropriate to require the Objectors to present their arguments regarding this issue by way of motion as contemplated by §503, so that this important issue can be decided based upon a complete record.

B. Section 1113 Does Not Require the Debtors to Immediately Pay the Underfunding Obligations

Certain of the Objectors assert that the Debtors are required to immediately make payments on account of the pension underfunding obligations because the Debtors have not obtained rejection of the CBAs which mandate such payments. In support of this contention, SEIU-UHW

cites *Adventure Resources, Inc. v. Holland (In re Adventure Resources)*, 137 F.3d 786 (4th Cir. 1998), in which the court held that where the debtor had not rejected a collective bargaining agreement under §1113 forty-three months after seeking bankruptcy protection, the debtor had assumed the collective bargaining agreement through inaction. The *Adventure Resources* court ruled that the debtor was required to make postpetition payments due under the collective bargaining agreement.

Adventure Resources is readily distinguishable. This case is approximately six weeks old. There is no indication that the Debtors are engaged in the type of unreasonable delay with respect to CBAs that was at issue in *Adventure Resources*.

SEIU-UHW's reliance upon *Teamsters Indus. Sec. Fund v. World Sales (In re World Sales, Inc.)*, 183 B.R. 872, 878 (B.A.P. 9th Cir. 1995) is likewise misplaced. *World Sales* held that claims based on the debtor's unperformed post-petition obligations under an unrejected CBA "must be given administrative status, even where the CBA is subsequently modified or rejected pursuant to §1113." *World Sales*, 183 B.R. 878.

World Sales' holding has been rejected by *In re Certified Air Techs., Inc.*, 300 B.R. 355, 369 (Bankr. C.D. Cal. 2003), which the Court finds to be the better-reasoned opinion. *Certified Air* provides in relevant part:

> Section 1113 was enacted to protect the existence of collective bargaining agreements in chapter 11 cases, not to re-order the priority scheme set by Congress in § 507. Had Congress intended for § 1113 to create a super-priority for pre-petition wage and benefit claims arising under a collective bargaining agreement, it would have either included language in § 1113 similar to that incorporated into § 1114 or amended § 507 to reflect the change it intended. Because Congress neither included explicit language in § 1113 to supersede § 507 nor amended § 507 to specifically create a super-priority status for such claims, the court concludes that pre-petition claims for wages and benefits due under a collective bargaining agreement are not entitled to treatment as administrative expenses but are to be accorded priority consistent with § 507.

Certified Air, 300 B.R. at 369.

The Court follows *Certified Air*, and finds that claims arising under an unrejected CBA are not entitled to administrative status solely on the grounds that the CBA has not been rejected. This finding does not rule out the possibility that such claims may be entitled to administrative status for other reasons. However, as discussed above, the Court declines to determine at this point whether the Debtors' pension underfunding obligations are entitled to administrative status.

III. Conclusion

Based upon the foregoing, the objections of RPHE, SEIU-UHW, CNA, and UNAC to the Prepetition Wages and Financing Motions are OVERRULED. RPHE's motion seeking reconsideration of the Final Financing Order is DENIED.

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Date: October 22, 2018

Ernest M. Robles
United States Bankruptcy Judge

FILED & ENTERED

OCT 22 2018

CLERK U.S. BANKRUPTCY COURT
Central District of California
BY evangeli DEPUTY CLERK

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re: Verity Health System of California, Inc., *et al.*,

Debtors and Debtors in Possession.

☒Affects All Debtors

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Debtors and Debtors in Possession.,

Lead Case No.: 2:18-bk-20151-ER
Chapter: 11

ORDER DENYING MOTION FOR RECONSIDERATION OF THE FINAL FINANCING ORDER

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;
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Case No. 2:18-bk-20179-ER;
Case No. 2:18-bk-20180-ER;
Case No. 2:18-bk-20181-ER;

Chapter 11 Cases.

[No hearing required pursuant to Federal Rule of Civil Procedure 78(b) and Local Bankruptcy Rule 9013-1(j)(3)]

For the reasons set forth in the concurrently-issued *Memorandum of Decision (1) Overruling Objections to the (A) Prepetition Wages Motion and (B) Financing Motion and (2) Denying Motion for Reconsideration of the Final Financing Order*, the Court HEREBY ORDERS that the

Retirement Plan for Hospital Employees' Notice of Motion and Motion to Alter or Amend Final Order (I) Authorizing Post Petition Financing, Etc. [Doc. No. 559] is DENIED.

IT IS SO ORDERED.

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Date: October 22, 2018

Ernest M. Robles
United States Bankruptcy Judge