

1 SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
2 JOHN A. MOE, II (Bar No. 066893)
john.moe@dentons.com
3 TANIA M. MOYRON (Bar No. 235736)
tania.moyron@dentons.com
4 DENTONS US LLP
601 South Figueroa Street, Suite 2500
5 Los Angeles, California 90017-5704
Tel: (213) 623-9300/Fax: (213) 623-9924

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

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

9 In re
10 VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,
11 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

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

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 ORDER¹**
EMERGENCY HEARING:
Date: September 5, 2018
Time: 10:00 a.m.
Place: Courtroom 1568

Debtors and Debtors In Possession.

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



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

1 **PLEASE TAKE NOTICE** that on August 31, 2018, Verity Health System of California,
2 Inc. (“**VHS**”), and the above-referenced affiliated debtors, the Debtors and Debtors in possession
3 (the “**Debtors**”) in the above-captioned chapter 11 cases (the “**Cases**”) filed the *Emergency*
4 *Motion of Debtors for Interim and Final Orders (A) Authorizing the debtors to Obtain Post*
5 *Petition Financing (B) Authorizing the Debtors to Use Cash Collateral and (C) Granting*
6 *Adequate Protection to Prepetition Secured Creditors Pursuant to 11 U.S.C. §§ 105, 363, 364,*
7 *1107 and 1108* [Docket No. 31] (the “**Motion**”).

8 **PLEASE TAKE FURTHER NOTICE** that attached as **Exhibit A** is a copy of the
9 revised proposed Interim DIP Order, which reflects changes made to the proposed Interim DIP
10 Order. Attached hereto as **Exhibit B** is a blackline version showing the changes between the
11 Interim DIP Order as originally filed and as revised.

12 Dated: September 5, 2018

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

16 By /s/ Samuel R. Maizel
17 Samuel R. Maizel

18 Proposed Attorneys for the Chapter 11 Debtors
19 and Debtors In Possession

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601 SOUTH FIGUEROA STREET, SUITE 2500
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8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

10 In re
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 Affects De Paul Ventures - San Jose
Dialysis, LLC

Debtors and Debtors In Possession.

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**

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
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1 Upon the emergency motion (the “**DIP Motion**”) ¹, dated August 31, 2018, filed by
2 Verity Health System of California, Inc., O’Connor Hospital, Saint Louise Regional Hospital, St.
3 Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings,
4 LLC, Verity Medical Foundation, O’Connor Hospital Foundation, Saint Louise Regional
5 Hospital Foundation, St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent
6 Foundation, St. Vincent Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business
7 Services, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively,
8 the “**Debtors**”), as debtors and debtors in possession in the above captioned chapter 11 cases
9 (collectively, the “**Chapter 11 Cases**”), pursuant to sections 105, 361, 362, 363, 364(c)(1),
10 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the
11 “**Bankruptcy Code**”), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy
12 Procedure (the “**Bankruptcy Rules**”) and Rule 4001-2 of the Local Bankruptcy Rules for the
13 United States Bankruptcy Court for the Central District of California (the “**Local Rules**” or
14 “**LBR**”), for entry of an emergency order (the “**Interim Order**”) authorizing the Debtors to,
15 among other things: *inter alia*:

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

20 (ii) Enter into a Debtor-in-Possession Credit Agreement (the “**DIP Credit**
21 **Agreement**”), substantially in the form attached hereto as **Exhibit 1**, and other related financing
22 documents (together with the DIP Credit Agreement and DIP Security Agreement, the “**DIP**
23 **Financing Agreements**”), by and among each of the Debtors and Ally Bank (“**Ally**”), in its
24 capacity as agent (“**DIP Agent**”) and in its capacity as lender (“**DIP Lender**,”) under the DIP
25 Credit Agreement;

26
27
28 ¹ Capitalized terms used herein and not otherwise defined shall have the meaning ascribed in the
DIP Motion.

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

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

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

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

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

24 (viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in
25 accordance with the proposed initial agreed budget covering the initial 13 week period (the
26 “*Initial Agreed Budget*”) a copy of which is attached to the Chou Decl. [Docket No. 32] as
27 **Exhibit 2**, and as otherwise provided in the DIP Financing Agreements, this Interim Order and
28 the Final Order;

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1 (ix) Provide adequate protection to certain of the Prepetition Secured Creditors
2 (defined herein) pursuant to the terms of this Interim Order and the Final Order for any
3 diminution in value of their respective interests in the Prepetition Collateral (as defined herein)
4 resulting from the DIP Liens (as defined herein) on the Prepetition Collateral, subordination to the
5 Carve Out (as defined herein), Debtors' use of Cash Collateral, and other decline in value arising
6 out of the automatic stay or the Debtors' use, sale, depreciation, or disposition of the Prepetition
7 Collateral;

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

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

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

16 The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief
17 Financial Officer filed in support of the DIP Motion and Rich Adcock, CEO filed in support of
18 the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and
19 First Day Pleadings, the DIP Motion, the proposed DIP Credit Agreement, and any the exhibits
20 attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the
21 hearing on this Interim Order (the "**Interim Hearing**"); and due and proper notice of the DIP
22 Motion and Interim Hearing having been provided in accordance with Bankruptcy Rules 2002,
23 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under
24 the circumstances; and the Interim Hearing having been held and concluded; and it appearing that
25 approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and
26 irreparable harm to the Debtors pending the Final Hearing and is otherwise fair and reasonable
27 and in the best interests of the Debtors, their estates and their creditors, and is essential for the
28 preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this

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1 Interim Order having been withdrawn, resolved or overruled by the Court; and after due
2 deliberation and consideration, and for good and sufficient cause appearing therefor:

3 **BASED UPON THE RECORD ESTABLISHED AT THE INTERIM HEARING,**
4 **THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS**
5 **OF LAW:²**

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

11 B. **Jurisdiction and Venue.** This Court has jurisdiction over the Cases, the DIP
12 Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334(b),
13 and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a
14 core proceeding as defined in 28 U.S.C. § 157(b)(2). Venue for these Chapter 11 Cases and
15 proceedings on the DIP Motion is proper before this district pursuant to 28 U.S.C. §§ 1408 and
16 1409.

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

20 D. **Notice.** Notice of the Interim Hearing and notice of the DIP Motion has been
21 provided by the Debtors to: (i) the Office of the United States Trustee for the Central District of
22 California (the “*U.S. Trustee*”); (ii) the United States Securities and Exchange Commission; (iii)
23 the Office of the United States Attorney for the Central District of California; (iv) the Internal
24 Revenue Service; (v) the Debtors’ fifty (50) largest unsecured creditors on a consolidated basis;

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

1 (vi) counsel to each of the Prepetition Secured Creditors (as defined below); (vii) counsel to the
2 DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for the State of
3 California, Charities Division; and (ix) all other parties known to assert a lien on any of the
4 Debtors' assets. Under the circumstances, such notice of the Interim Hearing and the DIP Motion
5 constitute due, sufficient and appropriate notice and complies with sections 102(1) and 363 of the
6 Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b), and the Local Rules, and no other or
7 further notice is required under the circumstances.

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

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

24 G. **Prepetition Secured Credit Facilities.** As of the Petition Date, the Debtors were
25 indebted and liable to: UMB Bank, N.A., ("***UMB Bank***") as successor Master Trustee under the
26 Master Trust under master indenture obligations for the California Statewide Communities
27 Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G
28 and H (the "***2005 Bonds***") and California Public Finance Authority Revenue Notes (Verity Health

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1 System) Series 2015 A, B, C, and D and the Series 2017 A and B (collectively, the "**Working**
2 **Capital Notes**" and together with the 2005 Bonds, the "**MTI Obligations**"), Wells Fargo Bank
3 National Association ("**Wells Fargo**") serves as indenture trustee for the Series 2005 Bonds. U.S.
4 Bank National Association ("**U.S. Bank**" and together with Wells Fargo and UMB Bank, the
5 "**Prepetition Agents**") serves as the Collateral Agent and Note Trustee for the Working Capital
6 Notes. As of the Petition Date, the Debtors were indebted and liable to Verity MOB Financing,
7 LLC and Verity MOB Financing II, LLC (together, "**Verity MOB**" and collectively with the
8 Prepetition Agents and holders of the 2005 Bonds and the Working Capital Notes, the
9 "**Prepetition Secured Creditors**") as holders of security interests in Verity Holdings prepetition
10 accounts, including rents arising from the prepetition MOB Financing (the "**MOB Financing**",
11 and together with the 2005 Bonds and Working Capital Notes, the "**Prepetition Secured**
12 **Documents**") holding approximately \$568,000,000 of debt as set forth on **Exhibit 1** to the Chou
13 Decl. (the "**Prepetition Secured Obligations**") secured by liens on virtually all of the Debtors'
14 assets (the "**Prepetition Liens**").

15 H. **Prepetition Collateral**. In order to secure the Prepetition Secured Obligations, the
16 Debtors granted the Prepetition Liens to the Prepetition Secured Creditors on substantially all of
17 their assets (the "**Prepetition Collateral**").

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

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

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

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

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

24 K. **Application of Sale Proceeds of DIP Collateral.** The DIP Liens shall attach as
25 first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and
26 the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors'
27 property, including, without limitation, the Facilities and any other DIP Collateral (as defined
28 below) (the "**Sale Proceeds**"). The Sale Proceeds shall be held in escrow in one or more deposit

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

16 L. **Adequate Protection for Prepetition Secured Creditors.** The priming of the
17 Prepetition Secured Creditors’ Prepetition Liens to the extent set forth below pursuant to section
18 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the
19 priming of the Prepetition Liens set forth below, the Prepetition Secured Creditors shall be
20 entitled to receive adequate protection, as set forth in this Interim Order, pursuant to sections 361,
21 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests
22 in the Prepetition Collateral resulting from, among other things, the subordination to the Carve
23 Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors’ use, sale or lease of
24 such Prepetition Collateral, including Cash Collateral, and the imposition of the automatic stay
25 from and after the Petition Date (collectively, and solely to the extent of such diminution in value,
26 the “*Diminution in Value*”). The Prepetition Secured Creditors have negotiated in good faith
27 regarding the Debtors’ use of the Prepetition Collateral to help fund the administration of the
28 Debtors’ estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the

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1 record presented to the Court at the Interim Hearing, the terms of the proposed adequate
2 protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business
3 judgment and constitute reasonably equivalent value and fair consideration for the consent of the
4 Prepetition Secured Creditors; provided, however, that nothing herein shall limit the rights of any
5 of the Prepetition Secured Creditors to hereafter seek new or different adequate protection.

6 M. **Extension of Financing.** The DIP Lender has indicated a willingness to provide
7 financing to the Debtors in accordance with the DIP Credit Agreement. The DIP Lender is
8 acting in good faith with respect to the DIP Facility and the terms and conditions of the DIP
9 Credit Agreement and the other DIP Financing Agreements. The DIP Lender's claims,
10 superpriority claims, security interests and liens and other protections granted pursuant to this
11 Interim Order and the DIP Financing Agreements will not be affected by any subsequent reversal
12 or modification of this Interim Order or the Final Order, as provided in section 364(e) of the
13 Bankruptcy Code.

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

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

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

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

25 (iv) The DIP Lender is acting in good faith with respect to the DIP Facility and
26 the terms and conditions of the DIP Financing Agreements, and the DIP Lender's claims,
27 superpriority claims, security interests and liens and other protections granted pursuant to this
28 Interim Order and the DIP Financing Agreements will not be affected or avoided by any

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1 subsequent reversal or modification of this Interim Order or the Final Order, as provided in
2 section 364(e) of the Bankruptcy Code.

3 O. **Relief Essential; Best Interest; Good Cause.** The relief requested in the DIP
4 Motion (and as provided in this Interim Order) is necessary, essential, and appropriate for the
5 preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors'
6 estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement.
7 Good cause has been shown for the relief requested in the DIP Motion (and as provided in this
8 Interim Order) solely on an interim basis.

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

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

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

19 2. **DIP Financing Agreements.**

20 (a) **Approval of Entry Into DIP Financing Agreements.** The Debtors are
21 authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to
22 incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this
23 Interim Order and the DIP Financing Agreements, and to execute and deliver all instruments and
24 documents which may be required or necessary for the performance by the Debtors under the DIP
25 Financing Agreements and the creation and perfection of the DIP Liens described in and provided
26 for by this Interim Order and the DIP Financing Agreements. The Debtors are hereby authorized
27 and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and
28 other amounts described in the DIP Credit Agreement as such amounts become due and payable

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1 without need to obtain further Court approval, including closing fees, unused line fees,
2 administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of
3 the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other
4 consultants, whether or not such fees arose before or after the Petition Date, and whether or not
5 the transactions contemplated hereby are consummated, to implement all applicable reserves and
6 to take any other actions that may be necessary or appropriate, all to the extent provided in this
7 Interim Order or the DIP Financing Agreements. All collections and proceeds, whether from
8 ordinary course collections, asset sales, debt or equity issuances, insurance recoveries,
9 condemnations or otherwise, will be deposited and applied as required by this Interim Order and
10 the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding
11 obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance
12 with their terms, including, without limitation, commitment fees and reasonable attorneys' fees
13 and disbursements as provided for in the DIP Credit Agreement, which amounts shall not
14 otherwise be subject to approval of this Court, *provided however*, that notwithstanding section
15 2.9(a) of the DIP Credit Agreement, following entry of this Interim Order, the Debtors shall pay
16 only \$1,600,000 on account of the commitment fee. The Debtors shall pay the deferred balance
17 of the commitment fee required by section 2.9(a) of the DIP Credit Agreement only upon entry of
18 a Final Order approving the DIP Credit Agreement.

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

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

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1 (d) **DIP Collateral; DIP Liens.** Effective immediately upon the entry of this
2 Interim Order, on account of the Interim DIP Loan, the DIP Lender shall be and is hereby granted
3 first-priority security interests and liens (which shall immediately be valid, binding, permanent,
4 continuing, enforceable, perfected and non-avoidable) on all of the Debtors' property, including,
5 without limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or
6 after the Petition Date (collectively, the "**DIP Collateral**," and all such liens and security interests
7 granted on or in the DIP Collateral pursuant to this Interim Order and the DIP Financing
8 Agreements, the "**DIP Liens**"), but excluding the Clean Fund Bonds and NR2 Petros Bonds
9 collateral held by WTNA, donor restricted funds held at Philanthropic Foundations, Avoidance
10 Actions (defined below) and any proceeds thereof and any funds held by the Prepetition Agents
11 (including amounts set forth on **Exhibit 1** to the Chou Decl.). The DIP Collateral shall not be
12 subject to any surcharge under section 506(c) or any other provision of the Bankruptcy Code or
13 other applicable law, nor by order of this Court.

14 (e) **DIP Lien Priority.** Subject only to the Carve Out (as defined below), the
15 DIP Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing,
16 enforceable, non-avoidable first priority senior priming liens and security interests on the DIP
17 Collateral, and shall prime all other liens and security interests on the DIP Collateral, including
18 any liens and security interests in existence on the Petition Date against the Prepetition Collateral,
19 and any other current or future liens granted on the DIP Collateral, including any adequate
20 protection or replacement liens granted on the DIP Collateral (collectively, the "**Primed Liens**")
21 (other than the Debtors' claims and causes of action under sections 502(d), 544, 545, 547, 548,
22 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar actions under the
23 Bankruptcy Code or similar state law (the "**Avoidance Actions**"), whether received by judgment,
24 settlement or otherwise. Without limiting the foregoing, the DIP Liens shall not be made subject
25 to, subordinate to, or pari passu with any lien or security interest by any court order heretofore or
26 hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid and enforceable against
27 any trustee appointed in the Chapter 11 Cases, upon the conversion of any of the Chapter 11
28 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other proceedings related to

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1 any of the foregoing (any “*Successor Cases*”), and/or upon the dismissal of any of the Chapter 11
2 Cases or Successor Cases. Other than the Carve Out, no costs, expenses, claims, or liabilities that
3 have been or may be incurred by Debtors during these Chapter 11 Case, or in any Successor
4 Cases, will be senior to, prior to, or on parity with the DIP Liens.

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

9 (g) **Protection of DIP Lender and Other Rights.** From and after the Petition
10 Date, the Debtors shall use the proceeds of the extensions of credit under the DIP Facility only for
11 the purposes specifically set forth in the DIP Credit Agreement and this Interim Order and in
12 strict compliance with the DIP Budget (subject to any variances thereto permitted by the DIP
13 Credit Agreement).

14 (h) **Additional Protections of DIP Lender: Superpriority Administrative**
15 **Claim Status.** Subject to the Carve Out (as defined below), all DIP Obligations shall constitute
16 an allowed superpriority administrative expense claim (the “*DIP Superpriority Claim*” and,
17 together with the DIP Liens, the “*DIP Protections*”) with priority in all of the Chapter 11 Cases
18 and Successor Cases over all other administrative expense claims under sections 364(c)(1), 503(b)
19 and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and
20 unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any
21 kind or nature whatsoever, including, without limitation, administrative expenses of the kinds
22 specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c),
23 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any other provision of the Bankruptcy Code
24 except as otherwise set forth herein, whether or not such expenses or claims may become secured
25 by a judgment lien or other non-consensual lien, levy or attachment. The DIP Superpriority
26 Claim shall be payable from and have recourse to all prepetition and post-petition property of the
27 Debtors and all proceeds thereof. Without limiting the foregoing, the Superpriority Claim shall
28 not be made subject to, subordinate to, or *pari passu* with any other administrative claim in the

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1 Chapter 11 Cases or Successor Cases, except for the Carve Out (as defined below). Other than the
2 Carve Out, no costs, expenses, claims, or liabilities that have been or may be incurred by Debtors
3 during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity
4 with the DIP Superpriority Claim.

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

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

18 (a) **Adequate Protection Replacement Liens.** To the extent of the
19 Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition
20 Collateral, each of the affected Prepetition Secured Creditors shall be granted, subject to the terms
21 and conditions set forth below, pursuant to sections 361, 363(e), and 364(d) of the Bankruptcy
22 Code additional valid, perfected and enforceable replacement security interests and Liens in the
23 DIP Collateral, excluding the prepetition collateral held by WTNA with respect to the Clean Fund
24 Bonds and the NR2 Petros Bonds, donor restricted funds held at Philanthropic Foundations and
25 Avoidance Actions and any proceeds thereof (the "***Prepetition Replacement Liens***"), which shall
26 be junior only to (1) the Carve Out, (2) to the DIP Liens securing the DIP Obligations, and (3)
27 any perfected, unavoidable, prepetition liens granted by Holdings pursuant to those certain deeds
28 of trust issued in connection with the MOB Financing and the Moss Deed of Trust; *provided,*

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1 *however*, that any Prepetition Replacement Liens granted to the 2015 Note Trustee and/or 2017
2 Note Trustee on account of the Diminution in Value of the Priority Collateral under the
3 Intercreditor Agreement shall be senior to the Prepetition Replacement Liens granted to any other
4 Prepetition Secured Creditors and junior to (i) the Carve Out, (ii) the DIP Liens securing the DIP
5 Obligations, and (iii) perfected, unavoidable, prepetition liens granted by Holdings pursuant to
6 those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of
7 Trust, and *further provided* that any Prepetition Replacement Liens granted to the holders of
8 deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust, on
9 account of the Diminution in Value of such Prepetition Collateral shall be senior to the
10 Prepetition Replacement Liens granted to any other Prepetition Secured Creditors and junior to (x)
11 the Carve Out, (y) the DIP Liens securing the DIP Obligations, and (z) perfected, unavoidable,
12 prepetition liens of the Master Trustee, the 2015 Note Trustee and/or the 2017 Note Trustee on
13 property other than the property subject to the Moss Deed of Trust. With respect to the Prepetition
14 Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any
15 proceeds of such Prepetition Collateral or Prepetition Replacement Liens related thereto shall be
16 allocated among the Prepetition Secured Creditors in accordance with the terms of the Second
17 Amended and Restated Intercreditor Agreement.

18 (b) **Adequate Protection Payments and Protections.** So long as there is no
19 Default or Event of Default, under this Interim Order, the Final Order, or the DIP Financing
20 Agreements, the Debtors are also authorized and directed to provide to the Prepetition Secured
21 Creditors monthly adequate protection payments equal to the amount of postpetition, non-default
22 contractual interest on the outstanding balances of the Prepetition Secured Obligations excluding
23 the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA, provided that reference
24 to the non-default contractual rate of interest shall not include any Penalty Rate, Default Rate or
25 the Tax Rate as defined in the Prepetition Secured Documents, plus monthly payment of
26 reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master Trustee, (3) U.S.
27 Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee, respectively, and
28 reimbursement of reasonable attorney's fees for one set of attorneys for (1) Wells Fargo as the
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1 successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master Trustee, (3) U.S. Bank
2 as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB Financing and
3 reimbursement of reasonable financial advisor fees for one set of financial advisors for (1) Wells
4 Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as Master Trustee, (2)
5 U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB Financing (the “*Prepetition*
6 *Adequate Protection Payments*”). Notwithstanding the foregoing, to the extent the Court enters a
7 final and non-appealable order that determines, pursuant to sections 506(a) or (b) of the
8 Bankruptcy Code, that the Prepetition Adequate Protection Payments are not properly allocable to
9 interest on one or more of the respective Prepetition Secured Obligations to which they were
10 made, the Prepetition Adequate Protection Payments may be re-characterized as payment(s)
11 applied to the principal amount of the respective Prepetition Secured Obligations.

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

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1 shall have priority over the Prepetition Superpriority Claims granted to any other Prepetition
2 Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii)
3 the Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust)
4 and *further provided* that any Prepetition Superpriority Claim granted to the holders of those
5 certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust,
6 on account of the Diminution in Value of such Prepetition Collateral shall be senior to the
7 Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with
8 respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the
9 claims of the Master Trustee, the 2015 Note Trustee and/or the 2017 Note Trustee on property
10 other than the property subject to the Moss Deed of Trust). With respect to the Prepetition
11 Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any
12 proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be
13 allocated among the Prepetition Secured Creditors in accordance with the terms of the Second
14 Amended and Restated Intercreditor Agreement.

15 (d) **Validity, Perfection and Amount of Prepetition Liens.** The Debtors
16 further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the
17 Prepetition Secured Obligations on the Prepetition Collateral were valid, binding, enforceable,
18 non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition
19 Secured Creditors and (b) the Prepetition Liens were senior in priority over any and all other
20 Liens on the Prepetition Collateral. The findings and stipulations set forth in this Interim Order
21 with respect to the validity, enforceability and amount of the Prepetition Secured Obligation and
22 the Prepetition Liens shall be binding on any subsequent trustee, responsible person, examiner
23 with expanded powers, any other estate representative, and all creditors and parties in interest and
24 all of their successors in interest and assigns, including the Committee, unless, and solely to the
25 extent that, a party in interest with requisite standing and authority (other than the Debtors, as to
26 which any Challenge (as defined below) is irrevocably waived and relinquished) has timely filed
27 the appropriate pleadings, and timely commenced the appropriate proceeding required under the
28 Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the

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1 Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d))
2 challenging the Prepetition Liens (each such proceeding or appropriate pleading commencing a
3 proceeding or other contested matter, a “**Challenge**”) within ninety (90) days from the formation
4 of the Committee (the “**Challenge Deadline**”); *provided however* that the filing by the Committee
5 of a motion for standing to prosecute a Challenge shall automatically toll the Challenge Deadline;
6 and *provided further*, that the “Challenge Deadline” for matters solely relating to the value of the
7 Prepetition Collateral may be further extended to such time as may be agreed by the parties or
8 further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its
9 proceeds shall only be amended upon further order of this Court and the consent of both the
10 Prepetition Secured Creditors and the DIP Lender. The Debtors shall not use the Prepetition
11 Collateral or its proceeds to investigate, prosecute claims against the Prepetition Secured
12 Creditors, including Avoidance Actions, *provided however* that the Committee may investigate
13 the existence of such claims and have allowed fees paid from the Prepetition Collateral up to the
14 amount of \$50,000, *provided further however* that no Prepetition Collateral or the proceeds
15 thereof may be used to prosecute claims against Prepetition Secured Creditors. For the avoidance
16 of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition
17 Secured Creditors from any Challenge raised by third parties, including the Committee, to the
18 validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition Liens.

19 (e) **Sections 506(c) and 552(b)**. In light of the Prepetition Secured Creditors’
20 agreement that their Prepetition Liens shall be subject to the Carve Out and subordinate to the
21 DIP Liens, the Prepetition Secured Creditors are each entitled to a waiver of any “equities of the
22 case” exception under section 552(b) of the Bankruptcy Code, and a waiver of the provisions of
23 section 506(c) of the Bankruptcy Code.

24 (f) Nothing contained in this Interim Order shall prevent the Prepetition
25 Secured Creditors from application or use of the funds held by the Prepetition Agents in
26 accordance with the Prepetition Secured Documents.

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

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1 DIP Financing Agreements and the DIP Budget. The Initial Agreed Budget delivered to the DIP
2 Agent shall be accompanied by such supporting documentation as reasonably requested by the
3 DIP Agent. The DIP Budget shall be prepared in good faith based upon assumptions that the
4 Debtors believe to be reasonable. A copy of any DIP Budget shall be delivered to counsel for the
5 Committee and the U.S. Trustee and counsel for the Prepetition Secured Creditors after it has
6 been approved in accordance with the DIP Financing Agreements. Except to the extent required
7 by the DIP Agent to accommodate the Prepetition Adequate Protection Payments, for the duration
8 of this Interim Order, the DIP Budget may not be amended without the prior consent of the
9 Prepetition Secured Creditors.

10 6. **Budget Compliance and Reporting.** The Debtors shall comply with the DIP
11 Budget as and when required under the DIP Credit Agreement (subject to the variances set forth
12 therein). The Debtors shall provide all reports and other information as required in the DIP Credit
13 Agreement (subject to the grace periods provided therein), with copies delivered substantially
14 contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the
15 Committee, should a Committee be appointed, such information to include reasonably complete
16 details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as
17 defined in the Adcock Declaration and such information to be timely provided, sufficient for the
18 Prepetition Secured Creditors to file an objection with this Court on two business days notice.
19 The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP
20 Credit Agreement) or to provide the reports and other information required in the DIP Credit
21 Agreement shall constitute an Event of Default (as defined herein), following the expiration of
22 any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and
23 continuation of valid and binding confidentiality agreements, prior to any hearing to consider
24 entry of a Final Order related to this DIP Motion, the Debtors shall provide to the Prepetition
25 Secured Creditors information concerning (i) the Debtors' efforts to obtain debtor in possession
26 financing proposals, including any proposals the Debtors received, and (ii) the Debtors' ongoing
27 efforts to market their assets, including all marketing materials used by the Debtors in this process,
28 information identifying the parties the Debtors have contacted, copies of any proposals or

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1 expressions of interest, and other information concerning these matters the Prepetition Secured
2 Creditors may reasonably request.

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

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

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

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

25 10. **Cash Collection.**

26 (a) From and after the date of the entry of this Interim Order, all collections and
27 proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any
28 time come into the possession, custody, or control of any Debtor, or to which any Debtor is now

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1 or shall become entitled at any time, shall be promptly deposited accounts as specified in the DIP
2 Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to
3 time) (collectively, the “*Cash Collection Accounts*”), which accounts shall be subject to the sole
4 dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP
5 Agent that, unless a “Default” or an “Event of Default” under the DIP Credit Agreement has
6 occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility,
7 proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall
8 be authorized to use such Cash Collateral in accordance with this Interim Order. All proceeds
9 and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for
10 application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in
11 writing by the DIP Agent and the Prepetition Agents and Verity MOB or as set forth in this
12 Interim Order, the Debtors shall maintain no accounts except those identified in the interim cash
13 management order entered by the Court with respect thereto (the “*Cash Management Order*”),
14 whether now existing or hereafter established. The Debtors and the financial institutions where
15 the Debtors’ Cash Collection Accounts are maintained (including those accounts identified in the
16 Cash Management Order), are authorized and directed to remit, without offset or deduction, funds
17 in such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent.

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

27 11. **Maintenance of DIP Collateral.** Until the indefeasible payment in full of all DIP
28 Obligations, all Prepetition Secured Obligations, and the termination of the DIP Agent’s and the

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1 DIP Lenders' obligation to extend credit under the DIP Facility, the Debtors shall: (a) insure the
2 DIP Collateral as required under the DIP Facility or the Prepetition Secured Documents, as
3 applicable; and (b) maintain the cash management system in effect as of the Petition Date, as
4 modified by the Cash Management Order, and maintain books and records sufficient to account
5 for postpetition intercompany transfers in a manner required by the Cash Management Order at
6 paragraph 6 and the DIP Credit Agreement at section 5.6 or as otherwise agreed to by the DIP
7 Agent or otherwise required or permitted by the DIP Financing Agreements or this Interim Order.

8 **12. DIP and Other Expenses.** The Debtors are authorized and directed to pay all
9 reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent,
10 (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as
11 counsel to the DIP Agent), (2) the DIP Lenders in connection with the DIP Facility, as provided
12 herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a
13 proposed conversion of the DIP Facility into exit financing (including the preparation and
14 negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured
15 Creditors, whether or not the transactions contemplated hereby are consummated, including
16 attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other
17 consultants, and indemnification and reimbursement of fees and expenses. Payment of all such
18 fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP Agent,
19 the DIP Lenders and the Prepetition Secured Creditors shall not be required to comply with the
20 U.S. Trustee fee guidelines; however, any time that such professionals seek payment of fees and
21 expenses from the Debtors, each professional shall provide summary copies of its invoices to the
22 U.S. Trustee contemporaneously with the delivery of such invoices to the Debtors. Any
23 objections raised by the Debtors, the U.S. Trustee or the Committee, if one is appointed, with
24 respect to such invoices must be in writing and state with particularity the grounds therefor and
25 must be submitted to the applicable professional within ten (10) days of the receipt of such
26 invoice; if after ten (10) days such objection remains unresolved, it will be subject to resolution
27 by the Court. Pending such resolution, the undisputed portion of any such invoice will be paid
28 promptly by the Debtors. Notwithstanding the foregoing, the Debtors are authorized and directed

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1 to pay on the Closing Date all reasonable and documented fees, costs, and out-of-pocket expenses
2 of the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors incurred on or prior to
3 such date without the need for any professional engaged by such parties to first deliver a copy of
4 its invoice or other supporting documentation. No attorney or advisor to the DIP Agent, the DIP
5 Lenders or any Prepetition Secured Creditor shall be required to file an application seeking
6 compensation for services or reimbursement of expenses with the Court. Upon entry of this
7 Interim Order, any and all fees, costs, and expenses paid prior to the Petition Date by any of the
8 Debtors to the (i) DIP Agent or the DIP Lenders in connection with or with respect to the DIP
9 Facility, and (ii) Prepetition Secured Creditors in connection with or with respect to these matters,
10 were approved in full and shall not be subject to avoidance, disgorgement or any similar form of
11 recovery by the Debtors or any other person.

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

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

22 15. **Carve Out.** The DIP Liens, DIP Superpriority Claim, and Replacement Liens are
23 subordinate only to the following: (i) all fees required to be paid to the clerk of the Bankruptcy
24 Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the “*U.S.*
25 *Trustee Fees*”), together with interest, if any, at the statutory rate; and (ii) all allowed claims for
26 unpaid fees, costs and expenses incurred by persons or firms retained by the Debtors or the
27 Committee, if any, whose retention is approved by the Bankruptcy Court pursuant to any one or
28 more of sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for

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1 fees, costs and expenses are both (a) allowed by the Bankruptcy Court pursuant to the Final Order,
2 and (b) in accordance with, and solely up to the total respective amounts set forth in the DIP
3 Budget for the applicable time frame (the “*Carve Out Expenses*”); provided that the aggregate
4 amount of such Carve Out Expenses shall not exceed (a) \$2,000,000 with respect to persons or
5 firms retained by the Debtors, and (b) \$75,000 with respect to persons or firms retained by the
6 Committee (collectively, the “*Carve Out Amount*”). Any payment or reimbursement made after
7 the Carve Out Trigger Date in respect of any Carve Out expenses shall permanently reduce the
8 Carve Out Amount on a dollar-for-dollar basis.

9 **16. Limitation of Use of Proceeds.** Notwithstanding anything set forth herein and
10 except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses
11 incurred in connection with initiating or prosecuting any claims, causes of action, adversary
12 proceedings, or other litigation against the DIP Lender or any of the Prepetition Secured Creditors,
13 including, without limitation, the assertion or joinder in any claim, counterclaim, action,
14 proceeding, application, motion, objection, defenses or other contested matter, the purpose of
15 which is to seek any order, judgment, determination or similar relief (i) invalidating, setting aside,
16 disallowing, avoiding, challenging or subordinating, in whole or in part, (a) the DIP Obligations,
17 (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, or (d) the DIP Liens, or (ii)
18 preventing, hindering or delaying, whether directly or indirectly, the DIP Lender or Prepetition
19 Secured Creditors’ assertion or enforcement of their liens or security interests or realization upon
20 any DIP Collateral or Prepetition Collateral, or (iii) prosecuting any Avoidance Actions against
21 the DIP Lender or any Prepetition Secured Creditor, or (iv) challenging the amount, validity,
22 extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset
23 to, the Prepetition Secured Obligations, or the adequate protection granted herein, *provided*
24 *however*, that nothing in this Interim Order shall limit the right of the Debtors to challenge the
25 reasonableness of attorney and financial advisory fees paid or proposed to be paid to Prepetition
26 Secured Creditors as adequate protection payments

27 **17. Payment of Compensation.** Nothing herein shall be construed as consent to the
28 allowance of any professional fees or expenses of any of the Debtors or the Committee or shall

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1 affect the right of the DIP Lender or the Prepetition Secured Creditors to object to the allowance
2 and payment of such fees and expenses or to permit the Debtors to pay any such amounts not set
3 forth in the DIP Budget.

4 18. **Section 506(c) Claims; Equities of the Case.** Nothing contained in this Interim
5 Order shall be deemed a consent by the DIP Lender or any Prepetition Secured Creditor to any
6 charge, lien, assessment or claim against the DIP Collateral under Section 506(c) of the
7 Bankruptcy Code or otherwise. The “equities of the case” exception under Section 552(b) of the
8 Bankruptcy Code and surcharge powers under section 506(c) of the Bankruptcy Code are waived
9 as to the Prepetition Creditors and all pre and post petition collateral securing their claims.

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

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

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

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

26 20. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP
27 Lender shall be immediately due and payable, and the Debtors’ authority to use the proceeds of
28 the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 5, 2019 (the

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

1 “*Scheduled Termination Date*”); (ii) the earlier of: (a) the date that is thirty (30) days from entry
2 of this Interim Order unless a final, non-appealable order of the Bankruptcy Court authorizing the
3 DIP Facility in form and substance satisfactory to the DIP Lender in its sole and absolute
4 discretion has been entered and has become effective prior to the expiration of such period (or
5 such later date as the DIP Lender may approve in writing in its sole and absolute discretion), (b)
6 the date the Court denies entry of the Final Order, or (c) the date of revocation of this Interim
7 Order or the Final Order, as applicable; (iii) the substantial consummation (as defined in Section
8 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the “*effective*
9 *date*”) of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an
10 order entered by the Bankruptcy Court; (iv) the consummation of a sale of all or substantially all
11 of the DIP Collateral; (v) the date the Bankruptcy Court orders the conversion of the Chapter 11
12 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the appointment of a
13 trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the acceleration of the
14 DIP Loan and the termination of the commitments with respect to the DIP Facility in accordance
15 with the DIP Financing Agreements (the earliest of such dates, the “*Commitment Termination*
16 *Date*”). The occurrence of the Commitment Termination Date, shall also constitute, subject to
17 further Court order, termination of the Prepetition Secured Creditors’ consent to the Debtors’ use
18 of their prepetition cash collateral.

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

27 22. **Events of Default.** The occurrence of a “Default” or an “Event of Default”
28 pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the “Bankruptcy

1 Defaults” enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of
2 default under this Interim Order, unless expressly waived in writing in accordance with the
3 consents required in the DIP Financing Agreements.

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

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

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

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

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

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

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

28 27. **Other Rights and Obligations.**

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1 (a) **Good Faith Under Section 364(e) of the Bankruptcy Code. No**
2 **Modification or Stay of this Interim Order.** The Debtor, the DIP Lender and the Prepetition
3 Secured Creditors have acted in good faith in connection with negotiating the DIP Financing
4 Agreements, extending credit under the DIP Facility, and authorizing use of Cash Collateral and
5 rely on this Interim Order is in good faith. Based on the findings set forth in this Interim Order
6 and the record made during the Interim Hearing, and in accordance with section 364(e) of the
7 Bankruptcy Code, in the event any or all of the provisions of this Interim Order are hereafter
8 reversed, modified amended or vacated by a subsequent order of this or any other Court, the DIP
9 Lender and Prepetition Secured Creditors are entitled to the protections provided in section 364(e)
10 of the Bankruptcy Code. Any such reversal, modification, amendment or vacatur shall not affect
11 the validity and enforceability of any advances made pursuant to this Interim Order or the DIP
12 Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the
13 DIP Liens or the Prepetition Replacement Liens. Any claims or DIP Protections granted to the
14 DIP Lender hereunder, or adequate protection grant granted to the Prepetition Secured Creditors
15 hereunder, arising prior to the effective date of such reversal, modification, amendment or vacatur,
16 shall be governed in all respects by the original provisions of this Interim Order, and the DIP
17 Lender and Prepetition Secured Creditors shall be entitled to all of the rights, remedies, privileges
18 and benefits, including the DIP Protections and adequate protection granted herein, with respect
19 to any such claims. Since the loans made pursuant to the DIP Credit Agreement are made in
20 reliance on this Interim Order, the obligations owed to the DIP Lender or the Prepetition Secured
21 Creditors prior to the effective date of any reversal or modification of this Interim Order cannot,
22 as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be
23 subordinated, lose their lien priority or superpriority administrative expense claim status, or be
24 deprived of the benefit of the status of the liens and claims granted to the DIP Lender or
25 Prepetition Secured Creditors under this Interim Order and/or the DIP Financing Agreements.

26 (b) **Binding Effect.** The provisions of this Interim Order shall be binding
27 upon and inure to the benefit of the DIP Lender, the Debtors, the Prepetition Secured Lenders, the
28 Committee, if appointed, all other Parties in Interest, and all creditors, and each of their respective

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1 successors and assigns (including any trustee or other fiduciary hereinafter appointed as a legal
2 representative of the Debtors or with respect to the property of the estates of the Debtors) whether
3 in the Chapter 11 Cases, in any Successor Cases, or upon dismissal of any such chapter 11 or
4 chapter 7 case.

5 (c) **No Waiver.** The failure of the DIP Lender to seek relief or otherwise
6 exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this
7 Interim Order or otherwise, as applicable, shall not constitute a waiver of the DIP Lender's rights
8 hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Interim
9 Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or
10 otherwise impair the DIP Lender under the Bankruptcy Code or under non-bankruptcy law,
11 including without limitation, the rights of the DIP Lender to (i) request conversion of the Chapter
12 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a
13 trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the
14 Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges
15 (whether legal, equitable or otherwise) the DIP Lender may have pursuant to this Interim Order,
16 the DIP Financing Agreements, or applicable law. Nothing in this Interim Order shall interfere
17 with the rights of any party with respect to any non-Debtors.

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

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

23 (f) **Amendment.** The Debtors and the DIP Lender may amend or waive any
24 provision of the DIP Financing Agreements, on notice to the Office of the U.S. Trustee, the
25 Committee (if appointed), and the Prepetition Secured Creditors. Notwithstanding the foregoing,
26 any amendment or waiver of any provision of the DIP Financing Agreements that is materially
27 adverse to any Prepetition Secured Creditors may only become effective with the prior written
28 consent of the affected Prepetition Secured Creditors or further order of the Court, after notice to

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1 the affected Prepetition Secured Creditors and an opportunity for a hearing thereon. Except as
2 otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the
3 DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all
4 the Debtors and the DIP Lender, and, if material, approved by the Bankruptcy Court. Nothing
5 herein shall preclude the Debtors and the DIP Lender from implementing any amendment or
6 waiver of any provision of the DIP Financing Agreements.

7 **28. Survival of Interim Order and Other Matters.** The provisions of this Interim
8 Order and any actions taken pursuant hereto shall survive entry of any order which may be
9 entered (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11
10 Cases to a case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent
11 authorized by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the
12 reference of any of the Chapter 11 Cases from this Court, or (v) providing for abstention from
13 handling or retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and
14 provisions of this Interim Order including the DIP Protections granted pursuant to this Interim
15 Order and the DIP Financing Agreements, shall continue in full force and effect notwithstanding
16 the entry of such order, and such DIP Protections shall maintain their priority as provided by this
17 Interim Order until all the obligations of the Debtors to the DIP Lender pursuant to the DIP
18 Financing Agreements have been indefeasibly paid in full and in cash and discharged (such
19 payment being without prejudice to any terms or provisions contained in the DIP Financing
20 Agreements which survive such discharge by their terms). The terms and provisions of this
21 Interim Order including any protections granted to the Prepetition Secured Creditors, shall
22 continue in full force and effect notwithstanding the entry of such order, and such protections for
23 the Prepetition Secured Creditors shall maintain their priority as provided by this Interim Order
24 until all the obligations of the Debtors to the Prepetition Secured Creditors pursuant to applicable
25 documentation have been discharged. The DIP Obligations shall not be discharged by the entry
26 of an order confirming a plan of reorganization, the Debtors having waived such discharge
27 pursuant to section 1141(d)(4) of the Bankruptcy Code.

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

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

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

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

22 **29. Final Hearing.**

23 (a) The Final Hearing to consider entry of the Final Order and final approval of
24 the DIP Facility is scheduled for October 3, 2018 at 10:00 a.m. Pacific time at the United States
25 Bankruptcy Court for the Central District of California. If no objections to the relief sought in the
26 Final Hearing are filed and served in accordance with this Interim Order, no Final Hearing may
27 be held, and a separate Final Order may be presented by the Debtors and entered by this Court.
28

1 (b) On or before September 12, 2018, the Debtors shall serve, by United States
2 mail, first-class postage prepaid, notice of the entry of this Interim Order and of the Final Hearing
3 (the "***Final Hearing Notice***"), together with copies of this Interim Order, the proposed Final
4 Order and the DIP Motion, on: (i) the Office of the U.S. Trustee; (ii) the United States Securities
5 and Exchange Commission; (iii) the Office of the United States Attorney for the Central District
6 of California; (iv) the Internal Revenue Service; (v) the Office of the Attorney General for the
7 State of California, Charities Division, Attn: Alicia Berry (v) the Debtors' fifty (50) largest
8 unsecured creditors on a consolidated basis; (vi) counsel to the DIP Lender; (vii) counsel to each
9 of the Prepetition Secured Creditors; (viii) counsel of record representing patients of Debtors with
10 litigation pending against the Debtors as of the Petition Date; (ix) all other known parties
11 asserting a lien on the Debtors' assets; (x) the parties having been given notice of the Interim
12 Hearing; and (xi) any party which has filed prior to such date a request for notices with this Court.
13 The Final Hearing Notice shall state that any party in interest objecting to the entry of the
14 proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no later
15 than September 19, 2018 at 4:00 p.m. Pacific time, which objections shall be served so that the
16 same are received on or before such date by: (a) bankruptcy counsel for the Debtors, Dentons US
17 LLP, 602 South Figueroa, Suite 2500, Los Angeles, California 90017 - 570, Attn: Samuel Maizel;
18 (b) counsel for the DIP Lender, Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite
19 2700, Nashville, TN 37219, Attn: David E. Lemke, Esq.; (c) counsel to the Committee, if any; (d)
20 the Office of the United States Trustee for the Central District of California, 915 Wilshire Blvd.,
21 Suite 1850, Los Angeles, CA 90017, Attn: Jill Sturtevant, (e) counsel for U.S. Bank as 2015
22 Notes Trustee, McDermott, Will & Emory, 227 W. Monroe Street, Chicago, IL 60606-5096, (f)
23 counsel for UMB Bank as successor Master Trustee, Mintz, Levin, Cohen, Ferris, Glovsky and
24 Popeo PC, 1 Financial Center, Boston, MA 02111, Attn: Dan Bleck, (g) counsel for Verity MOB,
25 Jones Day, 555 South Flower Street Fiftieth Floor, Los Angeles, California 90071 and (h) counsel
26 for U.S. Bank as 2017 Notes Trustee, Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh
27 Street, Minneapolis, MN 55402, Attn: Clark Whitmore, and any reply filed by the Debtors or any
28 party supporting entry of the Final Order shall be filed with the Clerk of the United States

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1 Bankruptcy Court for the Central District of California, in each case to allow actual receipt of the
2 foregoing no later than September 26, 2018, at 4:00 p.m. Pacific time. Notwithstanding the terms
3 of this Interim Order, this Court is not precluded from entering a Final Order containing
4 provisions that are inconsistent with, or contrary to any of the terms in this Interim Order, subject
5 to the protections under Section 364(e) and the rights of the DIP Lender to terminate the DIP
6 Credit Agreement if such Final Order is not acceptable to them. In the event this Court modifies
7 any of the provisions of this Interim Order or the DIP Financing Agreements following such
8 further hearing, such modifications shall not affect the rights and priorities of DIP Lender
9 pursuant to this Interim Order with respect to the DIP Collateral, and any portion of the DIP
10 Obligations which arises or is incurred, advanced or paid prior to such modifications (or
11 otherwise arising prior to such modifications), and this Interim Order shall remain in full force
12 and effect except as specifically amended or modified at such Final Hearing.

13
14
15 Dated: _____
16 Los Angeles, California

17
18 /s/ _____
19 HONORABLE JUDGE ROBLES
20 UNITED STATES BANKRUPTCY JUDGE
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Exhibit 1

DIP CREDIT AGREEMENT

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

1 SAMUEL R. MAIZEL (Bar No. 189301)
2 samuel.maizel@dentons.com
3 JOHN A. MOE, II (Bar No. 066893)
4 john.moe@dentons.com
5 TANIA M. MOYRON (Bar No. 235736)
6 tania.moyron@dentons.com
7 DENTONS US LLP
8 601 South Figueroa Street, Suite 2500
9 Los Angeles, California 90017-5704
10 Tel: (213) 623-9300/Fax: (213) 623-9924

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

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

15 In re
16 VERITY HEALTH SYSTEM OF
17 CALIFORNIA, INC., *et al.*,
18 Debtors and Debtors In
19 Possession.

- 20 Affects All Debtors
- 21 Affects Verity Health System of California, Inc.
- 22 Affects O'Connor Hospital
- 23 Affects Saint Louise Regional Hospital
- 24 Affects St. Francis Medical Center
- 25 Affects St. Vincent Medical Center
- 26 Affects Seton Medical Center
- 27 Affects O'Connor Hospital Foundation
- 28 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

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**

29 Debtors and Debtors In Possession.

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

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

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

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

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

25 (iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements,
26 postpetition financing of up to \$30,000,000 on a revolving basis (the “**Interim DIP Loan**”) and
27

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

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

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

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

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

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

22 (viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in
23 accordance with the proposed initial agreed budget covering the initial 13 week period (the
24 “*Initial Agreed Budget*”) a copy of which is attached to the Chou Decl. [\[Docket No. 32\]](#) as
25 **Exhibit 2**, and as otherwise provided in the DIP Financing Agreements, this Interim Order and
26 the Final Order;

27 (ix) Provide adequate protection to certain of the Prepetition Secured Creditors
28 (defined herein) pursuant to the terms of this Interim Order and the Final Order for any
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LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

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

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

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

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

14 The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief
15 Financial Officer filed in support of the DIP Motion and Rich Adcock, CEO filed in support of
16 the First Day Motions each as Officers of the Debtors, in Support of Chapter 11 Petitions and
17 First Day Pleadings, the DIP Motion, the proposed DIP Credit Agreement, and any the exhibits
18 attached thereto, and the evidence submitted or adduced and the arguments of counsel made at the
19 hearing on this Interim Order (the "**Interim Hearing**"); and due and proper notice of the DIP
20 Motion and Interim Hearing having been provided in accordance with Bankruptcy Rules 2002,
21 4001(b) and (d), and 9014 and LBR 4001-2 and no other or further notice being required under
22 the circumstances; and the Interim Hearing having been held and concluded; and it appearing that
23 approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and
24 irreparable harm to the Debtors pending the Final Hearing and is otherwise fair and reasonable
25 and in the best interests of the Debtors, their estates and their creditors, and is essential for the
26 preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this
27 Interim Order having been withdrawn, resolved or overruled by the Court; and after due
28 deliberation and consideration, and for good and sufficient cause appearing therefor:

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

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

9 B. **Jurisdiction and Venue.** This Court has jurisdiction over the Cases, the DIP
10 Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334(b),
11 and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a
12 core proceeding as defined in 28 U.S.C. § 157(b)(2). Venue for these Chapter 11 Cases and
13 proceedings on the DIP Motion is proper before this district pursuant to 28 U.S.C. §§ 1408 and
14 1409.

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

18 D. **Notice.** Notice of the Interim Hearing and notice of the DIP Motion has been
19 provided by the Debtors to: (i) the Office of the United States Trustee for the Central District of
20 California (the “*U.S. Trustee*”); (ii) the United States Securities and Exchange Commission; (iii)
21 the Office of the United States Attorney for the Central District of California; (iv) the Internal
22 Revenue Service; (v) the Debtors’ fifty (50) largest unsecured creditors on a consolidated basis;
23 (vi) counsel to each of the Prepetition Secured Creditors (as defined below); (vii) counsel to the
24 DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for the State of
25

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

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601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
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1 California, Charities Division; and (ix) all other ~~known~~ parties ~~asserting~~ known to assert a lien on
2 any of the Debtors' assets. Under the circumstances, such notice of the Interim Hearing and the
3 DIP Motion constitute due, sufficient and appropriate notice and complies with sections 102(1)
4 and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b), and the Local Rules, and
5 no other or further notice is required under the circumstances.

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

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

21 G. **Prepetition Secured Credit Facilities.** As of the Petition Date, the Debtors were
22 indebted and liable to: UMB Bank, N.A., ("***UMB Bank***") as successor Master Trustee under the
23 Master Trust under master indenture obligations for the California Statewide Communities
24 Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G
25 and H (the "***2005 Bonds***"); ~~U.S. Bank National Association ("***U.S. Bank***" and together with ***UMB***~~
26 ~~***Bank***, the "***Prepetition Agents***"), as the Collateral Agent and Note Trustee for the and California
27 Public Finance Authority Revenue Notes (Verity Health System) Series 2015 A, B, C, and D and
28 the Series 2017 A and B (collectively, the "***Working Capital Notes***" and together with the 2005
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(213) 623-9300

1 Bonds, the "*MTI Obligations*"), Wells Fargo Bank National Association ("*Wells Fargo*") serves
2 as indenture trustee for the Series 2005 Bonds. U.S. Bank National Association ("*U.S. Bank*" and
3 together with Wells Fargo and UMB Bank, the "*Prepetition Agents*") serves as the Collateral
4 Agent and Note Trustee for the Working Capital Notes. As of the Petition Date, the Debtors were
5 indebted and liable to Verity MOB Financing, LLC and Verity MOB Financing II, LLC (together,
6 "*Verity MOB*" and collectively with the Prepetition Agents and holders of the 2005 Bonds and the
7 Working Capital Notes, the "*Prepetition Secured Creditors*") as holders of security interests in
8 Verity Holdings prepetition accounts, including rents arising from the prepetition MOB Financing
9 (the "*MOB Financing*", and together with the 2005 Bonds and Working Capital Notes, the
10 "*Prepetition Secured Documents*") holding approximately \$568,000,000 of debt as set forth on
11 Exhibit 1 to the Chou Decl. (the "*Prepetition Secured Obligations*") secured by liens on
12 virtually all of the Debtors' assets (the "*Prepetition Liens*").

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

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

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

27 (ii) **Good Cause; Need for Postpetition Financing.** Good cause has been
28 shown for the entry of this Interim Order. An immediate need exists for the Debtors to obtain
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LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

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

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

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

22 K. **Application of Sale Proceeds of DIP Collateral.** The DIP Liens shall attach as
23 first priority liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and
24 the DIP Financing Agreements, to all proceeds of any sale or other disposition of the Debtors'
25 property, including, without limitation, the Facilities and any other DIP Collateral (as defined
26 below) (the "**Sale Proceeds**"). The Sale Proceeds shall be held in escrow in one or more deposit
27 accounts subject to a deposit account control agreement in favor of the DIP Lender (the "**Escrow**
28 **Deposit Account**"). Any funds held in the Escrow Deposit Account shall not be commingled

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1 with any other funds of the Debtors or otherwise. The DIP Lender is granted a first priority lien
2 on the Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any
3 buyer in connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit
4 Account shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this
5 Interim Order. On the Revolving Loan Termination Date (as defined in the DIP Credit
6 Agreement), the DIP Lender shall apply any and all amounts remaining on deposit in the Escrow
7 Deposit Account to the outstanding principal amount of the DIP Loan, together with accrued and
8 unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors; provided,
9 however, that upon any Debtor's request and with the consent of the DIP Lender (which consent
10 may, for the avoidance of doubt, be withheld in its sole discretion), any Sale Proceeds and
11 deposits provided in connection with any asset sale may be disbursed to the Prepetition Secured
12 Creditors on terms and conditions that are acceptable to the DIP Lender in its sole discretion and
13 in upon further order of this Court.

14 L. **Adequate Protection for Prepetition Secured Creditors.** The priming of the
15 Prepetition Secured Creditors' Prepetition Liens to the extent set forth below pursuant to section
16 364(d) of the Bankruptcy Code is necessary to obtain the DIP Financing. In exchange for the
17 priming of the Prepetition Liens set forth below, the Prepetition Secured Creditors shall be
18 entitled to receive adequate protection, as set forth in this Interim Order, pursuant to sections 361,
19 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests
20 in the Prepetition Collateral resulting from, among other things, the subordination to the Carve
21 Out (as defined herein) and to the DIP Liens (as defined herein), the Debtors' use, sale or lease of
22 such Prepetition Collateral, including Cash Collateral, and the imposition of the automatic stay
23 from and after the Petition Date (collectively, and solely to the extent of such diminution in value,
24 the "***Diminution in Value***"). The Prepetition Secured Creditors have negotiated in good faith
25 regarding the Debtors' use of the Prepetition Collateral to help fund the administration of the
26 Debtors' estates along with the proceeds of the DIP Financing. Based on the DIP Motion and the
27 record presented to the Court at the Interim Hearing, the terms of the proposed adequate
28 protection arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business

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1 judgment and constitute reasonably equivalent value and fair consideration for the consent of the
2 Prepetition Secured Creditors; provided, however, that nothing herein shall limit the rights of any
3 of the Prepetition Secured Creditors to hereafter seek new or different adequate protection.

4 M. **Extension of Financing.** The DIP Lender has indicated a willingness to provide
5 financing to the Debtors in accordance with the DIP Credit Agreement. The DIP Lender is acting
6 in good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit
7 Agreement and the other DIP Financing Agreements. The DIP Lender's claims, superpriority
8 claims, security interests and liens and other protections granted pursuant to this Interim Order
9 and the DIP Financing Agreements will not be affected by any subsequent reversal or
10 modification of this Interim Order or the Final Order, as provided in section 364(e) of the
11 Bankruptcy Code.

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

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

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

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

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

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1 O. **Relief Essential; Best Interest; Good Cause.** The relief requested in the DIP
2 Motion (and as provided in this Interim Order) is necessary, essential, and appropriate for the
3 preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors'
4 estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement.
5 Good cause has been shown for the relief requested in the DIP Motion (and as provided in this
6 Interim Order) solely on an interim basis.

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

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

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

17 2. **DIP Financing Agreements.**

18 (a) **Approval of Entry Into DIP Financing Agreements.** The Debtors are
19 authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to
20 incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this
21 Interim Order and the DIP Financing Agreements, and to execute and deliver all instruments and
22 documents which may be required or necessary for the performance by the Debtors under the DIP
23 Financing Agreements and the creation and perfection of the DIP Liens described in and provided
24 for by this Interim Order and the DIP Financing Agreements. The Debtors are hereby authorized
25 and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and
26 other amounts described in the DIP Credit Agreement as such amounts become due and payable
27 without need to obtain further Court approval, including closing fees, unused line fees,
28 administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of
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1 the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other
2 consultants, whether or not such fees arose before or after the Petition Date, and whether or not
3 the transactions contemplated hereby are consummated, to implement all applicable reserves and
4 to take any other actions that may be necessary or appropriate, all to the extent provided in this
5 Interim Order or the DIP Financing Agreements. All collections and proceeds, whether from
6 ordinary course collections, asset sales, debt or equity issuances, insurance recoveries,
7 condemnations or otherwise, will be deposited and applied as required by this Interim Order and
8 the DIP Financing Agreements. The DIP Financing Agreements represent valid and binding
9 obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance
10 with their terms, including, without limitation, commitment fees and reasonable attorneys' fees
11 and disbursements as provided for in the DIP Credit Agreement, which amounts shall not
12 otherwise be subject to approval of this Court, provided however, that notwithstanding section
13 2.9(a) of the DIP Credit Agreement, following entry of this Interim Order, the Debtors shall pay
14 only \$1,600,000 on account of the commitment fee. The Debtors shall pay the deferred balance
15 of the commitment fee required by section 2.9(a) of the DIP Credit Agreement only upon entry of
16 a Final Order approving the DIP Credit Agreement.

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

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

27 (d) **DIP Collateral; DIP Liens.** Effective immediately upon the entry of this
28 Interim Order, on account of the Interim DIP Loan, the DIP Lender shall be and is hereby granted
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1 first-priority security interests and liens (which shall immediately be valid, binding, permanent,
2 continuing, enforceable, perfected and non-avoidable) on all of the Debtors' property, including,
3 without limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or
4 after the Petition Date (collectively, the "**DIP Collateral**," and all such liens and security interests
5 granted on or in the DIP Collateral pursuant to this Interim Order and the DIP Financing
6 Agreements, the "**DIP Liens**"), but excluding the Clean Fund Bonds and NR2 Petros Bonds
7 collateral held by WTNA, ~~and~~ donor restricted funds held at Philanthropic Foundations,
8 Avoidance Actions (defined below) and any proceeds thereof and any funds held by the
9 Prepetition Agents (including amounts set forth on Exhibit 1 to the Chou Decl.). The DIP
10 Collateral shall not be subject to any surcharge under section 506(c) or any other provision of the
11 Bankruptcy Code or other applicable law, nor by order of this Court.

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

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

7 (g) **Protection of DIP Lender and Other Rights.** From and after the Petition
8 Date, the Debtors shall use the proceeds of the extensions of credit under the DIP Facility only for
9 the purposes specifically set forth in the DIP Credit Agreement and this Interim Order and in strict
10 compliance with the DIP Budget (subject to any variances thereto permitted by the DIP Credit
11 Agreement).

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

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1 during these Chapter 11 Case, or in any Successor Cases, will be senior to, prior to, or on parity
2 with the DIP Superpriority Claim.

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

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

16 **(a) Adequate Protection Replacement Liens.** To the extent of the
17 Diminution in Value of the interest of the respective Prepetition Secured Creditors in ~~the~~
18 Prepetition Collateral, each of the affected Prepetition Secured Creditors shall ~~have~~be granted,
19 subject to the terms and conditions set forth below, pursuant to sections 361, 363(e), and 364(d)
20 of the Bankruptcy Code additional valid, perfected and enforceable replacement security interests
21 and Liens in the DIP Collateral, excluding the prepetition collateral held by WTNA with respect
22 to the Clean Fund Bonds and the NR2 Petros Bonds ~~collateral held by WTNA and Bankruptcy~~
23 ~~Recoveries~~, donor restricted funds held at Philanthropic Foundations and Avoidance Actions and
24 any proceeds thereof (the "**Prepetition Replacement Liens**"), which shall be junior only to (1) the
25 Carve Out, (2) to the DIP Liens securing the DIP Obligations, and (3) any perfected, unavoidable,
26 prepetition liens granted by Holdings pursuant to those certain deeds of trust issued in connection
27 with the MOB Financing and the Moss Deed of Trust; *provided, however,* that any Prepetition
28 Replacement Liens granted to the 2015 Note Trustee and/or 2017 Note Trustee on account of the
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1 Diminution in Value of ~~any Prepetition Collateral in which it holds senior priority security~~
2 ~~interests shall be senior to the replacement liens granted to the~~ the Priority Collateral under the
3 Intercreditor Agreement shall be senior to the Prepetition Replacement Liens granted to any other
4 Prepetition Secured Creditors and junior ~~only to the Carve Out and the DIP Liens securing the~~
5 ~~DIP Obligations. Proceeds of~~ to (i) the Carve Out, (ii) the DIP Liens securing the DIP Obligations,
6 and (iii) perfected, unavoidable, prepetition liens granted by Holdings pursuant to those certain
7 deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust, and
8 further provided that any Prepetition Replacement Liens granted to the holders of deeds of trust
9 issued in connection with the MOB Financing and the Moss Deed of Trust, on account of the
10 Diminution in Value of such Prepetition Collateral shall be senior to the Prepetition Replacement
11 Liens granted to any other Prepetition Secured Creditors and junior to (x) the Carve Out, (y) the
12 DIP Liens securing the DIP Obligations, and (z) perfected, unavoidable, prepetition liens of the
13 Master Trustee, the 2015 Note Trustee and/or the 2017 Note Trustee on property other than the
14 property subject to the Moss Deed of Trust. With respect to the Prepetition Collateral that is
15 subject to the Second Amended and Restated Intercreditor Agreement, any proceeds of such
16 Prepetition Collateral or Prepetition Replacement Liens related thereto shall be allocated
17 ~~amongst~~ among the Prepetition Secured Creditors in accordance with the terms of the Second
18 Amended and Restated Intercreditor Agreement.

19 (b) **Adequate Protection Payments and Protections.** So long as there is no
20 Default or Event of Default, under this Interim Order, the Final Order, or the DIP Financing
21 Agreements, the Debtors are also authorized and directed to provide to the Prepetition Secured
22 Creditors monthly adequate protection payments ~~inequal to~~ the ~~form~~ amount of postpetition,
23 non-default contractual interest on the outstanding balances of the Prepetition Secured
24 Obligations excluding the Clean Fund Bonds and NR2 Petros Bonds collateral held by WTNA,
25 provided that reference to the non-default contractual rate of interest ~~does~~ shall not include ~~the~~ any
26 Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents-
27 ~~interest on the Prepetition Secured Obligations, excluding the Clean Fund Bonds and NR2 Petros~~
28 Bonds, plus monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB
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1 Bank as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note
2 Trustee, respectively, and reimbursement of reasonable attorney’s fees ~~and for one set of attorneys~~
3 for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as
4 Master Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5)
5 MOB Financing and reimbursement of reasonable financial advisor fees for one set of ~~attorneys~~
6 ~~and~~ financial advisors for ~~each of (1) U.S. Bank as Trustee and Collateral Agent for the Working~~
7 ~~Capital Notes, (2) UMB Bank~~ (1) Wells Fargo as the successor ~~Master Trustee~~ indenture trustee for
8 the 2005 Bonds and UMB Bank as Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017
9 Note Trustee and (3) ~~the~~ MOB Notes Financing (the “*Prepetition Adequate Protection*
10 *Payments*”). Notwithstanding the foregoing, to the extent the Court enters a final and
11 non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code,
12 that the Prepetition Adequate Protection Payments are not properly allocable to interest on one or
13 more of the respective Prepetition Secured Obligations to which they were made, the Prepetition
14 Adequate Protection Payments may be re-characterized as payment(s) applied to the principal
15 amount of the respective Prepetition Secured Obligations.

16 (c) **Prepetition Superpriority Claim.** To the extent of the Diminution in
17 Value of the ~~allowed interests~~ interest of the respective Prepetition Secured Creditors in ~~the~~
18 Prepetition Collateral, each of the affected Prepetition Secured Creditors shall ~~have~~ be granted,
19 subject to the terms and conditions set forth below, an allowed superpriority administrative
20 expense claim (the “*Prepetition Superpriority Claim Claims*”), which shall have priority (except
21 with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, ~~and~~ (iii) the Carve Out), and
22 (iv) any claims granted by Holdings pursuant to those certain deeds of trust issued in connection
23 with the MOB Financing and the Moss Deed of Trust) in the Chapter 11 Cases under sections
24 ~~364~~ 363(c)(1), 503(b); and 507(b) of the Bankruptcy Code and otherwise over all administrative
25 expense claims and unsecured claims against the Debtors and their estates, now existing or
26 hereafter arising; of any kind or nature whatsoever including, without limitation, administrative
27 expenses of the ~~kinds~~ kind specified ~~in~~ or ordered pursuant to sections 105, 326, 328, 330, 331,
28 503(a), 503(b), 507(a), 507(b), 546(c), 546(d); 552, 726, ~~1113~~, 1113 and 1114 of the Bankruptcy
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1 Code, and, upon entry of the Final Order, section 506(c) of the Bankruptcy Code, whether or not
2 such expenses or claims may become secured by a judgment Lien or other non-consensual Lien,
3 levy, ~~or attachment. Other than the DIP Liens, the DIP Superpriority Claim, and the Carve Out,~~
4 ~~no costs or expenses of administration, including, without limitation, professional fees allowed~~
5 ~~and payable under sections 328, 330, and 331 of the Bankruptcy Code, or otherwise, that have~~
6 ~~been or may be incurred in the Chapter 11 Case, or in any Successor Case, will be senior to, prior~~
7 ~~to, or on parity with the Prepetition Superpriority Claim (for purposes hereof, such liens will be~~
8 ~~deemed part of the “Prepetition Replacement Liens”).~~ or attachment; provided, however, that
9 any Prepetition Superpriority Claim granted to the 2015 Note Trustee and/or 2017 Note Trustee
10 on account of the Diminution in Value of the Priority Collateral under the Intercreditor
11 Agreement shall have priority over the Prepetition Superpriority Claims granted to any other
12 Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority
13 Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss
14 Deed of Trust) and further provided that any Prepetition Superpriority Claim granted to the
15 holders of those certain deeds of trust issued in connection with the MOB Financing and the Moss
16 Deed of Trust, on account of the Diminution in Value of such Prepetition Collateral shall be
17 senior to the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors
18 (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and
19 (iv) the claims of the Master Trustee, the 2015 Note Trustee and/or the 2017 Note Trustee on
20 property other than the property subject to the Moss Deed of Trust). With respect to the
21 Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor
22 Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related
23 thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of
24 the Second Amended and Restated Intercreditor Agreement.

25 (d) Validity, Perfection and Amount of Prepetition Liens. The Debtors
26 further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the
27 Prepetition Secured Obligations on the Prepetition Collateral were valid, binding, enforceable,
28 non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition

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1 Secured Creditors and (b) the Prepetition Liens were senior in priority over any and all other
2 Liens on the Prepetition Collateral. The findings and stipulations set forth in this Interim Order
3 with respect to the validity, enforceability and amount of the Prepetition Secured Obligation and
4 the Prepetition Liens shall be binding on any subsequent trustee, responsible person, examiner
5 with expanded powers, any other estate representative, and all creditors and parties in interest and
6 all of their successors in interest and assigns, including the Committee, unless, and solely to the
7 extent that, a party in interest with requisite standing and authority (other than the Debtors, as to
8 which any Challenge (as defined below) is irrevocably waived and relinquished) has timely filed
9 the appropriate pleadings, and timely commenced the appropriate proceeding required under the
10 Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the
11 Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 4(d))
12 challenging the Prepetition Liens (each such proceeding or appropriate pleading commencing a
13 proceeding or other contested matter, a “Challenge”) within ninety (90) days from the formation
14 of the Committee (the “Challenge Deadline”); provided however that the filing by the Committee
15 of a motion for standing to prosecute a Challenge shall automatically toll the Challenge Deadline;
16 and provided further, that the “Challenge Deadline” for matters solely relating to the value of the
17 Prepetition Collateral may be further extended to such time as may be agreed by the parties or
18 further ordered by the Court. The foregoing limitation on use of Prepetition Collateral or its
19 proceeds shall only be amended upon further order of this Court and the consent of both the
20 Prepetition Secured Creditors and the DIP Lender. The Debtors shall not use the Prepetition
21 Collateral or its proceeds to investigate, prosecute claims against the Prepetition Secured
22 Creditors, including Avoidance Actions, provided however that the Committee may investigate
23 the existence of such claims and have allowed fees paid from the Prepetition Collateral up to the
24 amount of \$50,000, provided further however that no Prepetition Collateral or the proceeds
25 thereof may be used to prosecute claims against Prepetition Secured Creditors. For the avoidance
26 of doubt, the Debtors, on behalf of their estates, do not release or indemnify the Prepetition
27 Secured Creditors from any Challenge raised by third parties, including the Committee, to the
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1 validity, amount or enforceability of the Prepetition Secured Obligations and the Prepetition
2 Liens.

3 (e) Sections 506(c) and 552(b). In light of the Prepetition Secured Creditors'
4 agreement that their Prepetition Liens shall be subject to the Carve Out and subordinate to the DIP
5 Liens, the Prepetition Secured Creditors are each entitled to a waiver of any "equities of the case"
6 exception under section 552(b) of the Bankruptcy Code, and a waiver of the provisions of section
7 506(c) of the Bankruptcy Code.

8 (f) Nothing contained in this Interim Order shall prevent the Prepetition
9 Secured Creditors from application or use of the funds held by the Prepetition Agents in
10 accordance with the Prepetition Secured Documents.

11 5. **Budget Maintenance.** The proceeds of the DIP Loan under the DIP Facility and the
12 use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the
13 DIP Financing Agreements and the DIP Budget. The Initial Agreed Budget delivered to the DIP
14 Agent shall be accompanied by such supporting documentation as reasonably requested by the
15 DIP Agent. The DIP Budget shall be prepared in good faith based upon assumptions that the
16 Debtors believe to be reasonable. A copy of any DIP Budget shall be delivered to counsel for the
17 Committee and the U.S. Trustee and counsel for the Prepetition Secured Creditors after it has
18 been approved in accordance with the DIP Financing Agreements. Except to the extent required
19 by the DIP Agent to accommodate the Prepetition Adequate Protection Payments, for the duration
20 of this Interim Order, the DIP Budget may not be amended without the prior consent of the
21 Prepetition Secured Creditors.

22 6. **Budget Compliance and Reporting.** The Debtors shall comply with the DIP
23 Budget as and when required under the DIP Credit Agreement (subject to the variances set forth
24 therein). The Debtors shall provide all reports and other information as required in the DIP Credit
25 Agreement (subject to the grace periods provided therein), with copies delivered substantially
26 contemporaneously to counsel for the Prepetition Secured Creditors and counsel to the
27 Committee, should a Committee be appointed, such information to include reasonably complete
28 details on the payments contemplated by the Critical Vendors Motion and the Utilities Motion, as

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1 defined in the Adcock Declaration and such information to be timely provided, sufficient for the
2 Prepetition Secured Creditors to file an objection with this Court on two business days notice.
3 The Debtors' failure to comply with the DIP Budget (including the variances set forth in the DIP
4 Credit Agreement) or to provide the reports and other information required in the DIP Credit
5 Agreement shall constitute an Event of Default (as defined herein), following the expiration of
6 any applicable grace period set forth in the DIP Credit Agreement. Subject to the execution and
7 continuation of valid and binding confidentiality agreements, prior to any hearing to consider
8 entry of a Final Order related to this DIP Motion, the Debtors shall provide to the Prepetition
9 Secured Creditors information concerning (i) the Debtors' efforts to obtain debtor in possession
10 financing proposals, including any proposals the Debtors received, and (ii) the Debtors' ongoing
11 efforts to market their assets, including all marketing materials used by the Debtors in this
12 process, information identifying the parties the Debtors have contacted, copies of any proposals or
13 expressions of interest, and other information concerning these matters the Prepetition Secured
14 Creditors may reasonably request.

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

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

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1 9. **Proceeds of Subsequent Financing.** If the Debtors, any trustee, any examiner with
2 expanded powers, or any responsible officer subsequently appointed in these Chapter 11 Cases or
3 any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections
4 364(b), 364(c), or 364(d) or in violation of the DIP Financing ~~Agreements~~Agreements at any
5 time prior to the indefeasible repayment in full of all DIP Obligations and Prepetition Secured
6 Obligations (to the extent such remain outstanding), and the termination of the DIP Agent’s and
7 the DIP Lenders’ obligation to extend credit under the DIP Facility, including subsequent to the
8 confirmation of any chapter 11 plan of reorganization with respect to any or all of the Debtors and
9 the Debtors’ estates, and such facility is secured by any DIP Collateral, then all the cash proceeds
10 derived from such credit or debt shall immediately be turned over to the DIP Agent to be applied
11 in accordance with this Interim Order and the DIP Financing Agreements.

12 10. **Cash Collection.**

13 (a) From and after the date of the entry of this Interim Order, all collections and
14 proceeds of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any
15 time come into the possession, custody, or control of any Debtor, or to which any Debtor is now
16 or shall become entitled at any time, shall be promptly deposited accounts as specified in the DIP
17 Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to
18 time) (collectively, the “*Cash Collection Accounts*”), which accounts shall be subject to the sole
19 dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP
20 Agent that, unless a “Default” or an “Event of Default” under the DIP Credit Agreement has
21 occurred and is continuing, for so long as there are no amounts outstanding under the DIP
22 Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the
23 Debtors shall be authorized to use such Cash Collateral in accordance with this Interim Order.
24 All proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP
25 Agent for application in accordance with the DIP Financing Agreements. Unless otherwise
26 agreed to in writing by the DIP Agent and the Prepetition Agents and Verity MOB or as set forth
27 in this Interim Order, the Debtors shall maintain no accounts except those identified in the interim
28 cash management order entered by the Court ~~[Docket No. _____]~~ with respect thereto (the “*Cash*

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1 **Management Order**”), whether now existing or hereafter established. The Debtors and the
2 financial institutions where the Debtors’ Cash Collection Accounts are maintained (including
3 those accounts identified in the Cash Management Order), are authorized and directed to remit,
4 without offset or deduction, funds in such Cash Collection Accounts upon receipt of any direction
5 to that effect from the DIP Agent.

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

15 11. **Maintenance of DIP Collateral.** Until the indefeasible payment in full of all DIP
16 Obligations, all Prepetition Secured Obligations, and the termination of the DIP Agent’s and the
17 DIP Lenders’ obligation to extend credit under the DIP Facility, the Debtors shall: (a) insure the
18 DIP Collateral as required under the DIP Facility or the Prepetition Secured Documents, as
19 applicable; and (b) maintain the cash management system in effect as of the Petition Date, as
20 modified by the Cash Management Order, [and maintain books and records sufficient to account](#)
21 [for postpetition intercompany transfers in a manner required by the Cash Management Order at](#)
22 [paragraph 6 and the DIP Credit Agreement at section 5.6](#) or as otherwise agreed to by the DIP
23 Agent or otherwise required or permitted by the DIP Financing Agreements or this Interim Order.

24 12. **DIP and Other Expenses.** The Debtors are authorized and directed to pay all
25 reasonable and documented prepetition and postpetition fees and expenses of the [\(1\)](#) DIP Agent,
26 (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as
27 counsel to the DIP Agent), [and \(2\)](#) the DIP Lenders in connection with the DIP Facility, as
28 provided herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred

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1 with a proposed conversion of the DIP Facility into exit financing (including the preparation and
2 negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured
3 Creditors, whether or not the transactions contemplated hereby are consummated, including
4 attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other
5 consultants, and indemnification and reimbursement of fees and expenses. Payment of all such
6 fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP
7 Agent, the DIP Lenders and the Prepetition Secured Creditors shall not be required to comply
8 with the U.S. Trustee fee guidelines; however, any time that such professionals seek payment of
9 fees and expenses from the Debtors, each professional shall provide summary copies of its
10 invoices to the U.S. Trustee contemporaneously with the delivery of such invoices to the Debtors.
11 Any objections raised by the Debtors, the U.S. Trustee or the Committee, if one is appointed, with
12 respect to such invoices must be in writing and state with particularity the grounds therefor and
13 must be submitted to the applicable professional within ten (10) days of the receipt of such
14 invoice; if after ten (10) days such objection remains unresolved, it will be subject to resolution
15 by the Court. Pending such resolution, the undisputed portion of any such invoice will be paid
16 promptly by the Debtors. Notwithstanding the foregoing, the Debtors ~~were~~are authorized and
17 directed to pay on the Closing Date all reasonable and documented fees, costs, and out-of-pocket
18 expenses of the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors incurred on or
19 prior to such date without the need for any professional engaged by such parties to first deliver a
20 copy of its invoice or other supporting documentation. No attorney or advisor to the DIP Agent,
21 the DIP Lenders or any Prepetition Secured Creditor shall be required to file an application
22 seeking compensation for services or reimbursement of expenses with the Court. Upon entry of
23 this Interim Order, any and all fees, costs, and expenses paid prior to the Petition Date by any of
24 the Debtors to the (i) DIP Agent or the DIP Lenders in connection with or with respect to the DIP
25 Facility, and (ii) Prepetition Secured Creditors in connection with or with respect to these matters,
26 were approved in full and shall not be subject to avoidance, disgorgement or any similar form of
27 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 retained 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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1 proceedings, or other litigation against the DIP Lender or any of the Prepetition Secured
2 Creditors, including, without limitation, the assertion or joinder in any claim, counterclaim,
3 action, proceeding, application, motion, objection, defenses or other contested matter, the purpose
4 of which is to seek any order, judgment, determination or similar relief (i) invalidating, setting
5 aside, disallowing, avoiding, challenging or subordinating, in whole or in part, (a) the DIP
6 Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, or (d) the DIP
7 Liens, or (ii) preventing, hindering or delaying, whether directly or indirectly, the DIP Lender or
8 Prepetition Secured Creditors' assertion or enforcement of their liens or security interests or
9 realization upon any DIP Collateral or Prepetition Collateral, or (iii) prosecuting any Avoidance
10 Actions against the DIP Lender or any Prepetition Secured Creditor, or (iv) challenging the
11 amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense,
12 counterclaim, or offset to, the Prepetition Secured Obligations, or the adequate protection granted
13 herein, *provided however*, that nothing in this Interim Order shall limit the right of the Debtors to
14 challenge the reasonableness of attorney and financial advisory fees paid or proposed to be paid to
15 Prepetition Secured Creditors as adequate protection payments-

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

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

27 19. **Collateral Rights.** Unless the DIP Lender has provided its prior written consent or
28 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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1 order approving indebtedness described in subparagraph (a) below), and all commitments by the
2 DIP Lender to lend have terminated:

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

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

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

15 20. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP
16 Lender shall be immediately due and payable, and the Debtors' authority to use the proceeds of
17 the DIP Facility shall cease, on the date that is the earliest to occur of: (i) September 5, 2019 (the
18 "**Scheduled Termination Date**"); (ii) the earlier of: (a) the date that is thirty (30) days from entry
19 of this Interim Order unless a final, non-appealable order of the Bankruptcy Court authorizing the
20 DIP Facility in form and substance satisfactory to the DIP Lender in its sole and absolute
21 discretion has been entered and has become effective prior to the expiration of such period (or
22 such later date as the DIP Lender may approve in writing in its sole and absolute discretion), (b)
23 the date the Court denies entry of the Final Order, or (c) the date of revocation of this Interim
24 Order or the Final Order, as applicable; (iii) the substantial consummation (as defined in Section
25 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "*effective*
26 *date*") of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an
27 order ~~entered~~entered by the Bankruptcy Court; (iv) the consummation of a sale of all or
28 substantially all of the DIP Collateral; (v) the date the Bankruptcy Court orders the conversion of
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1 the Chapter 11 Cases to a Chapter 7 liquidation or the dismissal of the Chapter 11 Cases or the
2 appointment of a trustee or examiner with expanded power in the Chapter 11 Cases; and (vi) the
3 acceleration of the DIP Loan and the termination of the commitments with respect to the DIP
4 Facility in accordance with the DIP Financing Agreements (the earliest of such dates, the
5 “*Commitment Termination Date*”). The occurrence of the Commitment Termination Date, shall
6 also constitute, subject to further Court order, termination of the Prepetition Secured Creditors’
7 consent to the Debtors’ use of their prepetition cash collateral.

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

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

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

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

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

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

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

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

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

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

17 **27. Other Rights and Obligations.**

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

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

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

23 (c) **No Waiver.** The failure of the DIP Lender to seek relief or otherwise
24 exercise its rights and remedies under the DIP Financing Agreements, the DIP Facility, this
25 Interim Order or otherwise, as applicable, shall not constitute a waiver of the DIP Lender's rights
26 hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Interim
27 Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or
28 otherwise impair the DIP Lender under the Bankruptcy Code or under non-bankruptcy law,
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1 including without limitation, the rights of the DIP Lender to (i) request conversion of the Chapter
2 11 Cases to cases under Chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a
3 trustee in the Chapter 11 Cases, (ii) propose, subject to the provisions of section 1121 of the
4 Bankruptcy Code, a plan of reorganization, or (iii) exercise any of the rights, claims or privileges
5 (whether legal, equitable or otherwise) the DIP Lender may have pursuant to this Interim Order,
6 the DIP Financing Agreements, or applicable law. Nothing in this Interim Order shall interfere
7 with the rights of any party with respect to any non-Debtors.

8 (d) **No Third Party Rights.** Except as explicitly provided for herein, this
9 Interim Order does not create any rights for the benefit of any third party, creditor, equity holder
10 or any direct, indirect, or incidental beneficiary. ~~(e) No Marshaling. The DIP Lender shall not be~~
11 ~~subject to the equitable doctrine of “marshaling” or any other similar doctrine with respect to any~~
12 ~~of the DIP Collateral.~~

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

15 (f) **Amendment.** The Debtors and the DIP Lender may amend or waive any
16 provision of the DIP Financing Agreements, ~~provided that, to the extent such amendment or~~
17 ~~waiver impairs the Debtors or DIP Collateral of the Debtors, such amendment must be~~ on notice
18 to the Office of the U.S. Trustee ~~and any~~ the Committee (if appointed), ~~provided that such~~
19 ~~amendment or waiver, in the reasonable judgment of the Debtors and the DIP Lender, is both~~
20 ~~non-prejudicial to the rights of third parties or is not material~~ and the Prepetition Secured
21 Creditors. Notwithstanding the foregoing, any amendment or waiver of any provision of the DIP
22 Financing Agreements that is materially adverse to any Prepetition Secured Creditors may only
23 become effective with the prior written consent of the affected Prepetition Secured Creditors or
24 further order of the Court, after notice to the affected Prepetition Secured Creditors and an
25 opportunity for a hearing thereon. Except as otherwise provided herein, no waiver, modification,
26 or amendment of any of the provisions of the DIP Financing Agreements shall be effective unless
27 set forth in writing, signed on behalf of all the Debtors and the DIP Lender, and, if material,
28 approved by the Bankruptcy Court. Nothing herein shall preclude the Debtors and the DIP
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1 Lender from implementing any amendment or waiver of any provision of the DIP Financing
2 Agreements.

3 28. **Survival of Interim Order and Other Matters.** The provisions of this Interim
4 Order and any actions taken pursuant hereto shall survive entry of any order which may be entered
5 (i) confirming any Plan in the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a
6 case under chapter 7 of the Bankruptcy Code or any Successor Cases, (iii) to the extent authorized
7 by applicable law, dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of
8 any of the Chapter 11 Cases from this Court, or (v) providing for abstention from handling or
9 retaining of jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of
10 this Interim Order including the DIP Protections granted pursuant to this Interim Order and the
11 DIP Financing Agreements ~~and~~ shall continue in full force and effect notwithstanding the entry
12 of such order, and such DIP Protections shall maintain their priority as provided by this Interim
13 Order until all the obligations of the Debtors to the DIP Lender pursuant to the DIP Financing
14 Agreements have been indefeasibly paid in full and in cash and discharged (such payment being
15 without prejudice to any terms or provisions contained in the DIP Financing Agreements which
16 survive such discharge by their terms). The terms and provisions of this Interim Order including
17 any protections granted to the Prepetition Secured Creditors, shall continue in full force and effect
18 notwithstanding the entry of such order, and such ~~DIP Protections and~~ protections for the
19 Prepetition Secured Creditors shall maintain their priority as provided by this Interim Order until
20 all the obligations of the Debtors to the ~~DIP Lender pursuant to the DIP Financing Agreements~~
21 ~~have been indefeasibly paid in full and in cash and discharged (such payment being without~~
22 ~~prejudice to any terms or provisions contained in the DIP Financing Agreements which survive~~
23 ~~such discharge by their terms)~~ Prepetition Secured Creditors pursuant to applicable documentation
24 have been discharged. The DIP Obligations shall not be discharged by the entry of an order
25 confirming a plan of reorganization, the Debtors having waived such discharge pursuant to
26 section 1141(d)(4) of the Bankruptcy Code.

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

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

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

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

22 **29. Final Hearing.**

23 (a) The Final Hearing to consider entry of the Final Order and final approval of
24 the DIP Facility is scheduled for , October 3, 2018 at : 10:00 a.m. Pacific
25 time at the United States Bankruptcy Court for the Central District of California. If no objections
26 to the relief sought in the Final Hearing are filed and served in accordance with this Interim
27 Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtors
28 and entered by this Court.

4825-4639-6272.7

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

1 (b) On or before ~~_____~~ September 12, 2018, the Debtors shall serve, by
2 United States mail, first-class postage prepaid, notice of the entry of this Interim Order and of the
3 Final Hearing (the “*Final Hearing Notice*”), together with copies of this Interim Order, the
4 proposed Final Order and the DIP Motion, on: (i) the Office of the U.S. Trustee; (ii) the United
5 States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the
6 Central District of California; (iv) the Internal Revenue Service; (v) the Office of the Attorney
7 General for the State of California, Charities Division, Attn: Alicia Berry (v) the Debtors’ fifty
8 (50) largest unsecured creditors on a consolidated basis; (vi) counsel to the DIP Lender; (vii)
9 counsel to each of the Prepetition Secured Creditors; (viii) counsel of record representing patients
10 of Debtors with litigation pending against the Debtors as of the Petition Date; (ix) all other known
11 parties asserting a lien on the Debtors’ assets; (x) the parties having been given notice of the
12 Interim Hearing; and (xi) any party which has filed prior to such date a request for notices with
13 this Court. The Final Hearing Notice shall state that any party in interest objecting to the entry of
14 the proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no
15 later than ~~_____~~ September 19, 2018 at ~~_____~~ 4:00 p.m. Pacific time, which objections
16 shall be served so that the same are received on or before such date by: (a) bankruptcy counsel for
17 the Debtors, Dentons US LLP, 602 South Figueroa, Suite 2500, Los Angeles, California 90017 -
18 570, Attn: Samuel Maizel; (b) counsel for the DIP Lender, Waller Lansden Dortch & Davis, LLP,
19 511 Union Street, Suite 2700, Nashville, TN 37219, Attn: David E. Lemke, Esq.; (c) counsel to
20 the Committee, if any; (d) the Office of the United States Trustee for the Central District of
21 California, 915 Wilshire Blvd., Suite 1850, Los Angeles, CA 90017, Attn: Jill Sturtevant, (e)
22 counsel for U.S. Bank as ~~Collateral Agent and Note~~ 2015 Notes Trustee, McDermott, Will &
23 Emory, 227 W. Monroe Street, Chicago, IL 60606-5096, (f) counsel for UMB Bank as successor
24 Master Trustee, Mintz, Levin, Cohen, Ferris, Glovsky and Popeo PC, 1 Financial Center, Boston,
25 MA 02111, Attn: Dan Bleck, (g) counsel for ~~the~~ Verity ~~MOB-Financing Parties~~, Jones Day, 555
26 South Flower Street Fiftieth Floor, Los Angeles, California 90071 and (h) counsel for ~~Wells-~~
27 ~~Fargo~~ U.S. Bank N.A. as ~~Note~~ 2017 Notes Trustee ~~for Series 2017,~~ Maslon LLP, 3300 Wells
28 Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attn: Clark Whitmore, and any
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DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

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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

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

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