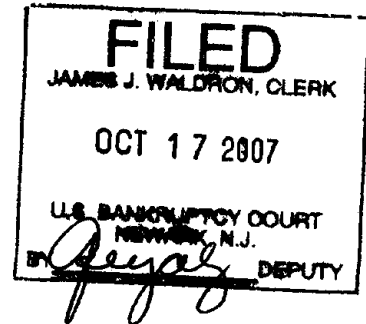


**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY
Caption in Compliance with D.N.J. LBR 9004-2(c)**

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In Re:

PASCACK VALLEY HOSPITAL
ASSOCIATION, INC.

Debtor.

Chapter 11

Case No. 07-23686

Judge: Hon. Gambardella

**FINAL STIPULATED ORDER REGARDING
USE OF CASH COLLATERAL AND ADEQUATE PROTECTION**

The relief set forth on the following pages, numbered two (2) through twenty-four (24) including Schedule A, is hereby **ORDERED**.

Dated: 10-17-07	 UNITED STATES BANKRUPTCY JUDGE
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Debtor: Pascack Valley Hospital Association, Inc.
Case No.: Case No. 07-23686
Caption of Order: Final Stipulated Order Regarding Use of Cash Collateral and Adequate Protection

This Final Stipulated Order Regarding Use of Cash Collateral and Adequate Protection (this “Order”) is agreed to by and among Pascack Valley Hospital Association, Inc. (the “Debtor”), the following affiliates of the Debtor: Well Care Group, Inc., Bergen Community Health Care, Inc., Pascack Community Services, Inc., Life Key Ventures, Inc., LKV/Bergen Nursing Team, Inc., and Pascack Valley Medical Management Services, LLC (collectively, the “Affiliates”), The Bank of New York, as indenture trustee (the “Indenture Trustee”) and The Bank of New York as successor master trustee (the “Master Trustee” and collectively with the Indenture Trustee, the “Bank of New York” or the “Trustee” and each Trustee, a “Trustee”), for those certain New Jersey Health Care Facilities Financing Authority Revenue Bonds Pascack Valley Hospital Association Issue, Series 1998 (the “Series 1998 Bonds”) and those certain New Jersey Health Care Facilities Financing Authority Revenue Bonds Pascack Valley Hospital Association Series 2003 (the “Series 2003 Bonds”, along with the Series 1998 Bonds, collectively, the “Bonds.”).

The Debtor and the Trustee hereby stipulate, acknowledge and agree, and the Court makes the following findings:

A. Notice of the motion and order shortening time pursuant to D.N.J. LBR 9013-1(e) and Federal Rule of Bankruptcy Procedure 9006(c) for the preliminary hearing and notice of the final hearing on the Debtor’s use of cash collateral has been served in accordance with Section 102(1) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 4001(b) and/or (d) and pursuant to the Interim Stipulated Order Regarding Use of Cash Collateral and Adequate Protection [docket no. 38], which notice is appropriate

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in the particular circumstances and is sufficient for all purposes under the Bankruptcy Code and the applicable Bankruptcy Rules in respect to the relief requested.

B. On September 24, 2007 (the "Petition Date"), the Debtor filed a voluntary petition for relief with this Court under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). Since the Petition Date, the Debtor has operated its business and managed its property as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

C. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(b) and 1334, and this matter constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2).

The 1998 Bonds

D. The Series 1998 Bonds were authorized and issued in the aggregate principal amount of \$38,185,000 by the New Jersey Health Care Facilities Financing Authority (the "Authority"), a public body corporate and a political subdivision of the State of New Jersey, pursuant to a certain Master Trust Indenture dated as of October 15, 1998 (the "Master Indenture") as amended by, among other things, the First Supplemental Indenture, dated as of October 15, 1998 (the "1998 Indenture"), entered into between the Authority and the Master Trustee.

E. A portion of the initial proceeds of the 1998 Bonds was used to create a debt service reserve fund and, pursuant to the terms of the Bond Documents (defined herein), the Trustee holds other funds related to the Bonds (the "1998 Bond Funds"). As of the Petition Date, the balance of the 1998 Bond Funds is \$3,222,688.38.

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F. The \$38,185,000 aggregate principal amount of the 1998 Bonds is composed of (i) \$5,115,000 of term bonds bearing interest at 5.00% per annum, due on July 1, 2013, (ii) \$6,535,000 of term bonds bearing interest at 5.125% per annum, due on July 1, 2018, and (iii) \$19,185,000 of term bonds bearing interest at 5.125% per annum, due on July 1, 2028.

G. Simultaneous with the issuance of the 1998 Bonds, the Authority loaned the proceeds of such issuance to the Debtor pursuant to a Loan Agreement, dated as of October 15, 1998, between the Authority and the Debtor (the "1998 Loan Agreement").

H. As security for the payment of all amounts due under the 1998 Loan Agreement, the Debtor granted to the Authority, inter alia, (i) a security interest and first priority lien on gross receipts ("Gross Receipts"), which are all receipts, revenues, income and other moneys received by or on behalf of the Debtor, including, without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, revenues derived from the operation of the facilities of the Debtor, and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper, instruments or other rights, and the proceeds thereof, and any insurance of condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Debtor, excluding (a) gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income therefrom, to the extent required by such designation, and (b) rents, profits or revenues of any nature derived exclusively from property securing Non-Recourse Indebtedness (as defined in the 1998 Indenture),

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pursuant to the Master Indenture and the 1998 Indenture, and (ii) a first priority mortgage lien on the Debtor's real, personal and intangible property (the "Mortgaged Property") in accordance with the terms of the Mortgage and Security Agreement, dated as of October 15, 1998, between the Debtor and the Master Trustee (the "1998 Mortgage") (all of the foregoing collateral securing the obligations under the 1998 Bonds is referred to as the "Pre-Petition 1998 Bond Collateral").

The 2003 Bonds

I. The Series 2003 Bonds were authorized and issued in the aggregate principal amount of \$51,205,000 by the Authority pursuant to the Master Indenture and amended by, among other things, the Second Supplemental Indenture to the Master Trust Indenture Authorizing the Series 2003 Note, dated as of April 21, 2003, (the "2003 Indenture") and collectively with the 1998 Indenture and the Master Trust Indenture, the "Bond Indentures"), entered into between the Authority and the Master Trustee.

J. A portion of the initial proceeds of the 2003 Bonds was used to created a debt service reserve fund and, pursuant to the terms of the Bond Documents, the Trustee holds other funds related to the Bonds (the "2003 Bond Funds" and together with the 1998 Bond Funds, the "Bond Funds"). As of the Petition Date, the balance of the 2003 Bond Funds is \$5,023,187.67.

K. The \$51,205,000 aggregate principal amount of the 2003 Bonds are composed of (i) \$6,100,000 of term bonds bearing interest at 6.00% per annum, due on July 1, 2013, (ii) \$12,075,000 of term bonds bearing interest at 6.50% per annum, due on July 1, 2023, and (iii) \$33,030,000 of term bonds bearing interest at 6.625% per annum, due on July 1, 2036.

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L. Simultaneous with the issuance of the 2003 Bonds, the Authority loaned the proceeds of such issuance to the Debtor pursuant to a Loan Agreement, dated as of April 1, 2003, between the Authority and the Debtor (the "2003 Loan Agreement" and together with the 1998 Loan Agreement, the "Loan Agreements").

M. As security for the payment of all amounts due under the 2003 Loan Agreement, the Debtor granted to the Authority, inter alia, (i) a security interest and first priority lien on Gross Receipts, on parity with the lien granted in connection with the 1998 Loan Agreement, and (ii) a first priority mortgage lien on the Mortgaged Property, on parity with the mortgage lien granted under the 1998 Mortgage, pursuant to the Amended and Restated Mortgage and Security Agreement, dated as of April 1, 2003, by and between the Debtor and the Master Trustee (the "2003 Mortgage" and together with the 1998 Mortgage (the "Mortgages") (all of the foregoing collateral securing the obligations under the 2003 Bonds is referred to as the "Pre-Petition 2003 Bond Collateral"). The Pre-Petition 2003 Bond Collateral and the Pre-Petition 1998 Bond Collateral is sometimes referred to collectively herein as the "Pre-Petition Bond Collateral". The Master Indenture, the Bond Indentures, the Loan Agreements, the Mortgages and all related documents are sometimes referred to herein as the "Bond Documents".

Use of Cash Collateral and Need for Adequate Protection

N. Pursuant to the terms of the Loan Agreements and the other Bond Documents, all of the rights, remedies and benefits of the Authority under the Loan Agreements, including all of the security interests and rights and remedies granted by the Debtor to the Authority in the Pre-Petition Bond Collateral, were assigned to the

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Indenture Trustee, subject to the retention of certain rights by the Authority. The Indenture Trustee has the sole right to exercise the rights and benefits granted to the Authority under the Bond Documents, subject to the rights of the bondholders to direct the Trustee or otherwise take actions in their own name as permitted by the terms of the Bond Indentures.

O. As of September 19, 2007, the Debtor was indebted under the Bond Documents in the principal amount of \$31,720,000.00, plus \$354,511.40 in interest, on the 1998 Bonds with interest accruing in the amount of \$4,487.49 per diem, and in the principal amount of \$49,515,000.00 plus \$710,498.02 in interest, on the 2003 Bonds with interest accruing in the amount of \$8,993.65 per diem, for an aggregate principal and interest amount owing as of September 19, 2007 of \$82,300,009.42 (the "Bond Claim"). The Bond Claim does not include any unliquidated, accrued and unpaid fees and expenses of the Trustee and its counsel incurred through August 31, 2007 in the amount of \$77,815.31 and which have continued to accrue since that date through the Petition Date. Such amounts, when liquidated, shall be an addition to the amount of the Bond Claim.

P. Subject to paragraph 22 below, the Debtor waives any and all rights to object to, or contest the amount of the Bond Claim and that the Trustee's security interests in the Pre-Petition Bond Collateral, including, without limitation, all of the Debtor's cash collateral, have been duly perfected and are in all respects valid and enforceable first priority security interests and liens.

Q. The Trustee does not consent to the use of its cash collateral except upon the terms and conditions of this Order.

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R. Without the use of its cash collateral, the Debtor would likely be required to cease operations immediately or, at a minimum, would disrupt the Debtor as a going concern, would eliminate or significantly decrease the likelihood of a successful orderly liquidation and disposition of the Debtor's assets in Chapter 11, and would not be in the best interests of the Debtor, its estate or its creditors. In lieu of giving the Trustee relief from stay, the Debtor wishes to provide adequate protection of the liens and security interests of the Trustee in such cash collateral as set forth in this Order.

S. The Debtor represents that it will not exceed the disbursement amounts set forth in the Cash Collateral Budget (attached hereto as Schedule A, the "Cash Collateral Budget"), subject to the 12% and 10% variances provided in paragraph 1, below.

T. The Debtor represents that it will not pay that certain \$2,000,000 amount set forth in the "Salaries" line item in the Cash Collateral Budget for the month of March without first making a further application or motion to the Bankruptcy Court seeking a hearing for authority to pay all or a portion of such amount, which application or motion will be on reasonable notice to parties in interest, including the Trustee.

U. This Order has been served on all parties entitled to notice hereof in accordance with Fed. R. Bankr. Proc. 4001 and the General Order Adopting Guidelines for Financing Requests.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, AND THE COURT HEREBY ORDERS AS FOLLOWS:

1. Authorization to Use Cash Collateral. Until the occurrence of a Termination Event (as hereinafter defined), the Debtor is authorized to use as cash collateral (as defined in Section 363 of the Bankruptcy Code) ("Cash Collateral") any

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revenues from Gross Receipts; provided, that such use of Cash Collateral shall be limited solely to the payment of "Cash Disbursements" in the amounts and categories listed on, and in accordance with, the Cash Collateral Budget; provided that the Debtor shall be permitted to exceed individual line item disbursement amounts set forth in the Cash Collateral Budget by up to 12% of such stated amounts, provided, further that the Debtor shall not exceed the monthly disbursement amount set forth in the Cash Collateral Budget by more than 10%.¹ Cash Collateral shall not include any cash or funds on deposit with the Trustee, such as the Bond Funds. Nothing in this Order shall entitle the Debtor to use any portion of the Bond Funds except as specifically permitted by the Bond Documents. Upon the occurrence of a Termination Event, the Debtor shall immediately cease the use of any Cash Collateral, unless permitted by further order of the Bankruptcy Court.

2. Prohibited Use of Cash Collateral. Notwithstanding anything herein to the contrary, no proceeds of Cash Collateral shall be used for the purpose of: (i) objecting to, or contesting in any manner, or raising any defenses to, the validity, amount, extent, perfection, priority, or enforceability of the Bonds, the Pre-Petition Bond Collateral, the Bond Claim or any liens or security interests with respect thereto, or any other rights or interests of the Trustee therein, or in asserting any claims or causes of action, including, without limitation, any actions under chapter 5 of the Bankruptcy Code against the Trustee, including with respect to payments made pursuant to the Bond Documents; (ii) invalidating, setting aside, avoiding or subordinating, in whole or part, any of the

¹ The Trustee expressly does not approve the use of Cash Collateral with respect to that certain \$2,000,000 amount set forth in the "Salaries" line item in the Cash Collateral Budget for the month of March. The Trustee reserves all of its rights to object to any application or motion filed by the Debtor seeking authority to pay all or a portion of such amount.

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Trustee's liens on any Pre-Petition Bond Collateral; or (iii) modifying the Trustee's rights hereunder.

3. Amendment or Extension of Use of Cash Collateral. The Cash Collateral Budget shall not be amended without the express written consent of the Trustee, which shall be at its sole discretion, and the express written consent of the DIP Lender (as defined below) which consent shall not be unreasonably withheld or delayed. Notice of any such amendment shall be filed with the Court and served on all parties entitled to notice in accordance with Fed R. Bankr. Proc. 4001(b). Any such party may object to such amendment and request a hearing before the Bankruptcy Court. If no such objection is made within 10 days of such notice, such amendment shall become final.

4. Adequate Protection Payments. In consideration for the use of Cash Collateral and in consideration of the Trustee's consent to the subordination of its lien on certain of the Trustee's collateral pursuant to the Debtor's proposed debtor in possession financing arrangement (the "DIP Financing Order"), which has been granted on an interim basis [docket no. 40], with HFG-Healthco-4 LLC (the "DIP Lender"), on and after the date hereof, the Debtor shall make adequate protection payments in an amount equal to the regularly scheduled, non-default amounts due to be paid by the Debtor under the Bond Documents, including, without limitation, any amounts due for the payment of reasonable fees and expenses of the Trustee and its counsel (the "Adequate Protection Payments"). The professional fees and expenses incurred by the Trustee shall not be subject to the provisions of sections 327, 328, 329, 330 or 331 of the Bankruptcy Code and shall be paid by the Debtor without further order of the Court, provided that the Trustee shall provide a copy of any invoices (redacted with respect to privileged matters)

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for its professional fees and expenses to counsel for the Debtor and counsel for the Committee no less than 10 days prior to the Debtor's payment of such invoices, which the Debtor, the Committee and the United States Trustee may review for reasonableness only.

5. Lien on Certain Assets of Affiliates. As additional adequate protection and in consideration for the use of Cash Collateral by the Debtor and in consideration of the Trustee's consent to the subordination of its lien on certain collateral pursuant to the DIP Financing Order, the Affiliates shall issue guarantees of the Bond Debt (the "Affiliate Guaranties"), which guaranties shall be secured by a first priority mortgage, lien and security interest in all real property interests held by the Affiliates (the "Affiliate Real Property"),² subject only to prior valid and perfected liens existing as of the Petition Date, and the liens granted the DIP Lender on the Affiliate Real Property pursuant to the DIP Financing Order.

6. Rollover Lien. On and after the Petition Date, the Trustee shall have a valid, perfected and enforceable continuing replacement lien and security interest (the "Rollover Lien") in all assets of the Debtor existing on or after the Petition Date of the same type as the Pre-Petition Bond Collateral, together with the proceeds, rents, products and profits thereof, whether acquired or arising before or after the Petition Date (the "Post-Petition Bond Collateral"), to the same extent, validity, perfection, enforceability and priority of the liens and security interests of the Trustee in the Pre-Petition Bond Collateral as of the Petition Date. The Rollover Lien shall be subject to only: (i) valid

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and perfected liens existing as of the Petition Date, (ii) the liens granted pursuant to the DIP Financing Order with respect to the Receivables (as referenced in the DIP Financing Order) only but not liens granted under the DIP Financing Order on other assets of the Debtor, and (iii) the Carve Out (as defined below).

7. Supplemental Lien. As further adequate protection to the extent of any diminution in the value of the Pre-Petition Bond Collateral from and after the Petition Date for any reason whatsoever, the Trustee shall have a valid, perfected and enforceable continuing supplemental lien and security interest (the "Supplemental Lien") in all of the assets of the Debtor of any kind or nature whatsoever within the meaning of Section 541 of the Bankruptcy Code, whether acquired or arising pre-petition or post-petition, together with all proceeds, rents, products, and profits thereof, subject only to valid and perfected liens existing as of the Petition Date. Any such diminution in value of the Pre-Petition Bond Collateral shall also constitute a super priority administrative claim pursuant to Section 507(b) of the Bankruptcy Code. The Supplemental Lien shall be subject to only: (i) prior valid and perfected liens existing as of the Petition Date, (ii) the liens granted pursuant to the DIP Financing Order with respect to the Receivables (as referenced in the DIP Financing Order) only but not liens granted under the DIP Financing Order on other assets of the Debtor and the Superpriority Administrative Expense Claim as defined in and granted pursuant to the DIP Financing Order, and (iii) the Carve Out. Any resulting super priority administrative claim under Section 507(b) of

² The Debtor represents that the Affiliate Real Property consists of real property known by the following addresses: 270 Old Hook Road, Westwood NJ; 363 Old Hook Road, Westwood NJ; and 400 Old Hook Road, Westwood NJ.

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the Bankruptcy Code shall be pari passu with the Superpriority Administrative Claim of the DIP Lender pursuant to the DIP Financing Order.

8. Avoidance Actions Lien and Superpriority Claim. As additional adequate protection and in consideration for the use of Cash Collateral by the Debtor and in consideration of the Trustee's consent to the subordination of its lien on certain collateral pursuant to the DIP Financing Order, the Trustee shall have a valid, perfected and enforceable lien and security interest in (the "Avoidance Actions Lien"), and a superpriority administrative expense claim on, the causes of action and proceeds therefrom of the Debtor or its estate under Sections 544, 545, 547, 548, 549, 550 and 724(e) of the Bankruptcy Code, which lien and claim are subject only to (i) the liens and Superpriority Administrative Expense Claim granted pursuant to the DIP Financing Order, and (ii) the Carve Out.

9. Additional Liens. The Rollover Lien, the Supplemental Lien and the Avoidance Actions Lien shall be in addition to all other rights of the Trustee, including its liens and security interests in the Pre-Petition Bond Collateral.

10. No Further Action Required. The approval of this Order by the Court shall be sufficient and conclusive evidence of the validity, enforceability and perfection of the Rollover Lien, the Supplemental Lien and the Avoidance Actions Lien granted to the Trustee, whether or not the Trustee elects to file or record financing statements, any other documents, or to take such other steps as may otherwise be required to obtain, evidence or perfect such liens under applicable law; provided, however, upon the request of the Trustee, the Debtor shall execute such other documents as may be reasonably requested to evidence and perfect such liens, and the Trustee may, in its sole discretion,

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but shall not be required to, file a certified copy of this Order in any filing or recording office in any jurisdiction in which the Debtor has real or personal property, and such filing or recording shall be accepted and shall constitute further evidence of perfection of its liens and security interests.

11. Allowance of Claim. Subject to paragraph 22 below and any proof of claim filed by the Trustee in this bankruptcy case, the approval of this Order by the Court shall be (i) a conclusive and binding determination upon the Debtor of the amount of the Bond Claim, and (ii) approval of the waiver by the Debtor as set forth above of any and all rights to object to, or contest that the Trustee's security interests in the Pre-Petition Bond Collateral, including, without limitation, all of the Debtor's cash collateral, have been duly perfected and are in all respects valid and enforceable first priority security interests and liens.

12. Compliance With Bond Documents. Except as provided in the DIP Financing Order, as further adequate protection of the Trustee's security interests in the Cash Collateral and in consideration of the Trustee's consent to the subordination of its lien on certain collateral pursuant to the DIP Financing Order, the Debtor shall comply with all material terms and provisions of the Bond Documents, including the maintenance of adequate insurance as required by the Bond Documents, and the payment of all claims that could become a lien on the Pre-Petition Bond Collateral or the Post-Petition Bond Collateral having priority over the liens of the Trustee. The requirements of this Order shall be in addition to, and not in substitution for, the terms and provisions of the Bond Documents, provided, however, in the event of any inconsistency between the Bond Documents and this Order, the terms of this Order shall control.

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13. Sale Process. As further adequate protection of the Trustee's security interests in the Cash Collateral and in consideration of the Trustee's consent to the subordination of its lien on certain collateral pursuant to the DIP Financing Order, the Debtor shall (i) file with the Bankruptcy Court within 10 days (which deadline can be modified by agreement between the Debtor and the Trustee) of the Petition Date and prosecute in good faith (A) an application, in form and substance satisfactory to the Debtor and the Trustee, to retain a broker to market and sell all or substantially all of the Debtor's assets, including, without limitation, the Debtor's real estate, and (B) a motion, in form and substance satisfactory to the Debtor and the Trustee, to establish bidding procedures for the sale of, and for authority to sell, all or substantially all of the Debtor's assets, including, without limitation, the Debtor's real estate, and (ii) negotiate in good faith with any prospective buyers of all or substantially all of its assets.

14. Financial Information. As additional adequate protection of the Trustee's security interests in the Cash Collateral and in consideration of the Trustee's consent to the subordination of its lien on certain collateral pursuant to the DIP Financing Order, the Debtor shall allow the Trustee reasonable access during normal business hours to the premises, officers, employees, auditors, appraisers and financial advisors of the Debtor in order to conduct appraisals, analyses and/or audits of the Pre-Petition Bond Collateral and the Post-Petition Bond Collateral, and shall otherwise reasonably cooperate in providing any other financial information requested by the Trustee. The Debtor shall provide to the Trustee (i) copies of any reporting made to the DIP Lender as contemplated by the DIP Financing Agreement (as hereafter defined) including (a) on the first business day of each week a report, which shall include (1) patient day statistical

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information by day for the previous week, (2) cash receipts and disbursements for the previous week, (3) reconciliations against the Cash Collateral Budget, and (4) any borrowing base report delivered pursuant to the DIP Loan Agreement; and (b) on or prior to Wednesday of each week, a 8-week rolling cash forecast, including actual results for the week ended five days prior to such Wednesday on a comparative basis, bank cash balances and projections of revenues and weekly cash receipts, in each case certified as accurate by the chief financial officer of the Debtor, and (ii) a copy of each monthly operating report as and when submitted to the Office of the United States Trustee. The Debtor shall furnish such other reports and information as may be reasonably requested from time to time by the Trustee, all such reports to be certified by the Debtor's chief financial officer or chief executive officer (and such reports shall certify that all uses of Cash Collateral shall be itemized and in material compliance with the Cash Collateral Budget).

15. Termination of Use of Cash Collateral.

(a) Unless otherwise ordered by the Bankruptcy Court upon request of the Debtor (the Trustee reserving all rights to oppose such request), and subject to section 14(b) below, the Debtor's authority to use Cash Collateral pursuant to the terms of this Order will terminate without any further action by the Bankruptcy Court five (5) business days after written notification sent by the Trustee to the Debtor, any Committee appointed in this case, the U.S. Trustee, and all parties filing a notice of appearance herein, of the occurrence of any of the following (a "Termination Event"):

- (i) the incurrence by the Debtor of (i) administrative expenses, or any other amounts, of a type not set forth in the Cash Collateral Budget, or (ii)

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administrative expenses of the types set forth in the Cash Collateral Budget in amounts exceeding the amounts for each type of expense set forth in the Cash Collateral Budget in excess of 12% for each line item or in excess of 10% of the aggregate budgeted monthly disbursements, except for fees due under 28 U.S.C. §1930;

- (ii) the failure of the Debtor to pay all of its administrative expenses in full in accordance with their terms as provided for in the Cash Collateral Budget;
- (iii) the failure of the Debtor to timely pay all fees due under 28 U.S.C. §1930;
- (iv) the Debtor's Chapter 11 case is dismissed or converted to a proceeding under Chapter 7 of the Bankruptcy Code;
- (v) the earlier of (y) the date of the entry of an order of this Court appointing a Chapter 11 trustee or an examiner with enlarged powers (beyond those set forth in Sections 1104(c) and 1106(a)(3) and (4) of the Bankruptcy Code); or (z) the date the Debtor files a motion, application or other pleading consenting to or acquiescing in any such appointment;
- (vi) the closing of a sale of all or substantially all of the Debtor's assets;
- (vii) the Bankruptcy Court suspends the Debtor's bankruptcy case under Section 305 of the Bankruptcy Code;
- (viii) the Debtor defaults or is in breach of any material term of the Bond Documents (other than as a result of the filing of the within Chapter 11 bankruptcy case);
- (ix) the Debtor fails to comply with, keep, observe or perform any of its agreements or undertakings under this Order;

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- (x) entry of an order confirming of a plan in this bankruptcy case;
- (xi) this Order becomes stayed, reversed, vacated, amended or otherwise modified in any respect without the prior written consent of the Trustee;
- (xii) an adversary proceeding or contested matter is commenced by the Debtor, or any other person or entity, except any official committee of unsecured creditors appointed in this bankruptcy case, challenging the validity, enforceability, priority or extent of the Trustee's liens or claims;
- (xiii) imposition of orders, penalties or fines by any governmental agency or unit which does or could, if not cured promptly, result in the cessation of operations of the Debtor;
- (xiv) the final approved form of DIP Financing Order differs in any material way from the DIP Financing Order that the Court approved on an interim basis as reflected at docket no. 40;
- (xv) any Default or Event of Default (as each terms is defined in that certain Revolving Loan and Security Agreement contemplated between the Debtor and its proposed debtor and possession lender (the "DIP Financing Agreement") under the DIP Financing Agreement or any violation by the Debtor of the DIP Financing Order; or
- (xvi) The occurrence of December 31, 2007.

(b) Unless during such five (5) business day period referenced above in section 14(a), the Debtor cures any Termination Event that is curable, (i) the Debtor's authority to use Cash Collateral hereunder shall terminate, (ii) the Trustee may exercise all rights and options set forth herein exercisable upon the occurrence of a default, and

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(iii) the Trustee, upon the expiration of such five (5) business day period and provided the Debtor has not cured the Termination Event(s), shall be automatically relieved of any further stay under Section 362 of the Bankruptcy Code, or other restriction on enforcement of its pre- and post-petition liens and security interests in the Pre-Petition Bond Collateral and the Post-Petition Bond Collateral, all without further Order of the Bankruptcy Court, unless during such same five (5) business day period, (i) a party or entity, other than the Debtor, obtains an Order of the Bankruptcy Court re-imposing the automatic stay, or (ii) the Debtor files an emergency motion with the Bankruptcy Court.

16. Release. The Debtor hereby waives, releases and discharges the Trustee and its affiliates, agents, attorneys, officers, directors and employees, from any and all claims and causes of action arising out of, based upon or related to, in whole or in part, the Bonds and the Bond Documents, any aspect of the pre-petition relationship between the Trustee and the Debtor, and any other acts or omissions by the Trustee in connection with either the Bond Documents or the Trustee's pre-petition relationship with the Debtor.

17. Failure of Adequate Protection. Nothing herein shall constitute a waiver, release or modification of the rights of the Trustee to assert a claim under Section 507(b) of the Bankruptcy Code.

18. Deemed Request for Stay Relief. This Order shall be deemed to constitute a request by the Trustee for relief from the automatic stay with respect to the Pre-Petition Bond Collateral and for adequate protection for the use of cash collateral as of the Petition Date.

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19. No Charge on Collateral; Carve Out. In part in consideration of the Debtor's acknowledgement of the debt due and owing and the Debtor's waiver of any claims under section 506(c) of the Bankruptcy Code, the Trustee consents to a carve out for certain expenses and professional fees incurred during the pendency of this bankruptcy case (the "Carve Out"). For purposes hereof, the "Carve Out" means fees and expenses (whether incurred prior to or subsequent to an Event of Default) of professionals retained by the Debtor or the Committee and the statutory fees of the United States Trustee pursuant to 28 U.S.C. § 1930 in an amount not to exceed \$500,000 in total, which amount shall be funded as and in the amount set forth in the Cash Collateral Budget by deposits into a trust account with Sills Cummis Epstein & Gross, P.C., and which \$500,000 amount, whether funded or unfunded, shall be entitled to priority over the adequate protection and all liens and claims of the Trustee (except the lien granted on the Affiliate Real Estate) granted pursuant hereto; provided, that any retainers or any payments to such professionals under sections 330 and 331 of the Bankruptcy Code in respect of fees and expenses incurred which were actually paid to such professionals in conformity with the Cash Collateral Budget and prior to a Termination Event, shall not reduce the Carve Out; and provided, further, that nothing herein shall constitute a waiver any right of the Trustee to object to fees and expenses of professionals retained by the Debtor and the Committee. Except for the Carve Out, no costs or expenses of administration shall be imposed against the Trustee or the Pre-Petition Bond Collateral or the Post-Petition Bond Collateral under Sections 105 or 506(c) of the Bankruptcy Code, or otherwise. The Carve Out contemplated hereby and the Carve Out contemplated in the DIP Financing Order are intended to represent a single

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surcharge against the respective liens, security interests and superpriority administrative expense claims granted under either and both such orders.

20. Modification of Stay. The automatic stay imposed by virtue of Section 362 of the Bankruptcy Code is hereby vacated and modified insofar as necessary to permit the Trustee to take any action authorized or contemplated by this Order or the Bond Documents (as the same may be modified by this Order) and to carry out the terms thereof, including, without limitation, (i) the receipt of payments to be made by the Debtor to the Trustee and the payment of amounts due to the holders of the Bonds, (ii) the application, allocation or payment from any of the funds or accounts maintained by the Trustee in accordance with the terms of the Bond Documents, and (iii) the payment of all fees and expenses of the Trustee and its professionals by the Debtor.

21. Preservation of Rights. If any or all of the provisions of this Order are, at any time, modified, vacated or stayed, such stay, modification or vacation shall not affect the validity and enforceability of any lien, priority, or other benefit conferred under this Order prior to such stay, modification or vacation.

22. Binding Effect. This Order shall be binding on all parties in this case that are deemed to have notice hereof, including, but not limited to, the Debtor and any successors thereto, including any Chapter 11 or Chapter 7 trustee that is appointed or elected in this case, and any Official Committee of Unsecured Creditors (the "Committee"), provided, however, that this Order is without prejudice to the rights of any Committee to challenge the validity, amount, perfection, priority, extent or enforceability of the Bond Claim or the pre-petition security interests of the Trustee, so long as any such challenge is made on or before 60 days after ^{Court approval of} the appointment of counsel to such

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Committee, after which time all such challenges shall be deemed finally and conclusively barred; provided, further, however, that in the event no Committee is appointed, this Order is without prejudice to the rights of any Chapter 11 or Chapter 7 trustee that is appointed or elected in this case, or any other party in interest, to challenge the validity, amount, perfection, priority, extent or enforceability of the Bond Claim or the pre-petition security interests of the Trustee, so long as any such challenge is made on or before 75 days after the entry of this final Order, after which time all such challenges shall be deemed finally and conclusively barred.

23. No Competing Liens. Except as provided in the DIP Financing Order, the Debtor shall not grant liens on, or security interests in the Pre-Petition Bond Collateral or the Post-Petition Bond Collateral to any other party, pursuant to Section 364 of the Bankruptcy Code or otherwise, which liens and security interests, as the case may be, are senior, or on a parity with, the liens and security interests of the Trustee therein.

24. Reservation of Rights. Except as provided in this Order, neither the Debtor nor the Trustee waives any of its rights under the Bankruptcy Code, any applicable law, or the Bond Documents, including, without limitation, the right of the Debtor or the Trustee at any time to seek any relief (or to oppose any such relief) under the Bankruptcy Code, or the right of the Debtor or the Trustee to exercise any of their rights and remedies under the Bankruptcy Code at any time. In particular, the Trustee reserves its rights to seek modification of this Order in the event that, in the Trustee's sole discretion, the final approved form of DIP Financing Order differs in any material way from the DIP Financing Order that the Court approved on an interim basis as reflected at docket no. 40.

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25. Further Relief. Nothing herein shall (i) preclude the Trustee from seeking any other relief that it may deem appropriate, including relief from the automatic stay, or (ii) prevent the Trustee from asserting at some later time that its liens and security interests in the Pre-Petition Bond Collateral are not being adequately protected within the meaning of Section 361 of the Bankruptcy Code.

26. No Control. The Trustee shall not be deemed to be in control of the operations of the Debtor or to be acting as a “responsible person,” “managing agent” or “owner or operator” (as such terms or any similar terms are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, as amended, or any similar Federal or state statute) with respect to the operation or management of the Debtor, notwithstanding its consent to this Order and extending financial accommodations of any type, kind or nature under this Order.

27. No Third Party Beneficiaries. No rights are created hereunder for the benefit of any third party, any creditor (other than the DIP Lender and its respective assignees and successors), or any direct, indirect or incidental beneficiary.

28. Effectiveness. The rights and obligations of the parties under this Order shall be effective and enforceable as of the Petition Date. This Order shall be deemed effective immediately.

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SCHEDULE A

CASH COLLATERAL BUDGET

Pascack Valley Hospital
 Summary of Budgeted Cash Flow Changes

I. Cash Receipts:
(INCREASED BY \$750,000)

- 1) Funds from Affiliates
- 2) Bounced checks due to Bankruptcy

II. Cash Disbursements:
(Reduced by \$410,000)

- 1) Salaries
- 2) Benefits
- 3) Cardinal Health
- 4) MD-X Solutions
- 5) Housekeeping Services
- 6) Insurance
- 7) Supplies & Expenses

Comments

Removed \$500,000 from PCS due to PCS's status as creditor to PVH and not being able to grant 2nd \$500,000

Moved from September to October in the amount of \$1,250,000 as not available yet from Commerce Bank

Reduced salaries overall by approximately \$465,000 (includes \$125,000 for KERF) thru 3/31/08 and respread budget based on payment dates and # of employees last worked date.

Reduced budget by \$350,000 and respread based on Healthnet staying on

Increased budget by \$400,000 to include settlement for critical vendor status

Increased budget by \$480,000 and respread based on tentative agreement

Reduced budget by \$50,000 in the month of January

Respread Insurance budget due to deposits made during October

Reduced budget by \$550,000 which includes \$400,000 in October (Cardinal) and \$150,000 in January

Pascack Valley Hospital
Summary of Cash Flows

	ACTUAL												PROJECTION		
	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH
MD-X Collections	\$9,764,104	\$8,952,904	\$10,235,752	\$9,548,159	\$10,250,288	\$8,722,876	\$9,125,311	\$9,950,137	\$8,404,902	\$8,500,000	\$8,000,000	\$6,000,000	\$4,000,000	\$1,500,000	\$0
Other Funds from DIP Financing	817,263	568,793	1,273,113	1,018,582	611,163	980,431	1,170,172	500,000	718,645	3,000,000	250,000	2,000,000	0	0	0
A/R Funds held against Financing										0	3,500,000	0	0	0	0
Funds from Affiliates										0	0	(3,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Investments										1,100,000					
Net Cash from Escrowed Funds				750,000	1,969,413	1,000,000	1,258,198								
Available Board Designated Investments										1,250,000					
Bounced checks due to bankruptcy															
Total Cash Receipts	\$10,581,367	\$9,521,697	\$11,508,864	\$11,316,741	\$12,830,864	\$10,703,307	\$11,553,681	\$10,450,137	\$9,123,547	\$14,650,000	\$11,750,000	\$5,200,000	\$2,000,000	(\$500,000)	(\$2,000,000)

II. Cash Disbursements:

Salaries	4,342,560	4,066,188	\$4,286,260	4,148,131	5,967,061	4,075,406	4,365,914	3,937,148	3,763,342	3,675,000	8,550,000	800,000	210,000	150,000	2,000,000
Benefits	967,256	986,238	990,589	863,629	979,188	1,006,604	758,265	1,322,989	789,621	800,000	750,000	700,000	600,000	450,000	200,000
Pension	0	0	0	500,000	0	0	1,337,090	0	0	0	0	0	0	0	0
Debt Service	505,500	501,438	501,438	501,438	501,438	501,438	500,823	500,823	510,265	501,500	501,500	501,500	501,500	501,500	501,500
Professional Fees	0	100,000	303,885	0	197,575	242,115	165,895	0	274,810	100,000	100,000	100,000	100,000	50,000	50,000
Chapter 11 Administration Expenses	0	0	0	0	0	0	0	0	0	400,000	400,000	400,000	300,000	200,000	200,000
Cardinal Health	530,104	572,631	349,910	586,431	873,361	91,496	356,970	111,272	642,202	700,000	200,000	100,000	0	0	90,000
MD-X Solutions	95,531	205,162	179,438	0	333,055	0	0	303,712	0	200,000	310,000	480,000	360,000	240,000	0
Housekeeping Services	242,013	76,401	152,801	152,801	305,603	160,633	112,175	206,651	166,214	150,000	150,000	150,000	50,000	0	0
Insurance	268,394	336,176	341,082	327,789	382,269	272,054	237,278	317,270	73,614	840,000	255,000	255,000	255,000	255,000	255,000
Supplies & Expenses	3,856,455	2,666,012	4,631,194	2,870,902	4,085,600	3,889,466	3,033,455	1,757,701	3,202,848	1,600,000	1,250,000	750,000	100,000	50,000	50,000
Total Cash Disbursements	\$10,907,813	\$9,512,246	\$11,736,598	\$10,051,121	\$13,625,160	\$10,239,211	\$10,867,865	\$8,457,566	\$9,422,916	\$8,966,500	\$12,466,500	\$4,236,500	\$2,476,500	\$1,886,500	\$3,346,500

Cash Flow	(326,446)	9,451	(227,734)	1,265,621	(794,296)	464,096	685,816	1,992,571	(299,369)	5,693,500	(716,500)	963,500	(476,500)	(2,396,500)	(5,346,500)
Cash beginning	34,902	(291,544)	668,324	440,580	1,706,211	911,915	1,376,011	2,061,827	4,054,398	3,755,029	9,438,529	8,722,029	9,685,529	9,209,029	6,812,529
Cash ending	(\$291,544)	(\$282,093)	\$440,590	\$1,706,211	\$911,915	\$1,376,011	\$2,061,827	\$4,054,398	\$3,755,029	\$9,438,529	\$8,722,029	\$9,685,529	\$9,209,029	\$6,812,529	\$1,466,029

III. Restricted Cash and Investments

Cash, ending	(291,544)	(282,093)	\$440,590	1,706,211	911,915	1,376,011	2,061,827	4,054,398	3,755,029	9,438,529	8,722,029	9,685,529	9,209,029	6,812,529	1,466,029
Investments	827,794	834,556	834,623	91,636	2,236,755	1,246,037	0	0	0	37,548	37,548	37,548	37,548	37,548	37,548
Construction Cash	36,967	37,064	37,159	37,254	37,349	37,447	37,548	37,648	37,748	37,848	37,948	38,048	38,148	38,248	38,348
Restricted Cash	231,480	468,762	565,721	573,829	26,967	296,200	282,434	282,434	282,434	0	0	0	0	0	0
Restricted Investments	1,822,745	1,836,457	1,837,319	1,837,659	0	0	0	0	0	0	0	0	0	0	0
Total Cash Available	\$2,627,442	\$2,894,745	\$3,715,413	\$4,246,589	\$3,212,865	\$2,955,694	\$2,381,809	\$4,374,380	\$4,075,011	\$9,758,511	\$9,042,011	\$10,006,511	\$9,529,011	\$7,132,511	\$1,786,011