



UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

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In re) Chapter 11
)
PASCACK VALLEY HOSPITAL) Case No. 07-23686 (RG)
ASSOCIATION, INC.)
)
Debtor.)
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FINAL FINANCING ORDER AUTHORIZING DEBTOR TO INCUR POSTPETITION INDEBTEDNESS WITH ADMINISTRATIVE SUPERPRIORITY AND SECURED BY SENIOR LIENS ON SUBSTANTIALLY ALL ASSETS PURSUANT TO SECTION 364(c) AND (d) OF THE BANKRUPTCY CODE, AND GRANTING ADEQUATE PROTECTION AND RELATED RELIEF

Pascack Valley Hospital Association, Inc. ("PVHA" or the "Debtor"), having filed a motion, dated September 24, 2007 (the "Motion")¹, pursuant to sections 105(a), 361, 363, and 364 of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") seeking, *inter alia*:

(a) authorization, under sections 364(c)(1), (2) and (3) of the Bankruptcy Code and Bankruptcy Rule 4001(c), for the Debtor to obtain post-petition financing (the "Post-Petition Financing") up to a maximum outstanding principal amount of \$10 million in accordance with the Loan and Security Agreement among the Debtor, HFG Healthco-4 LLC, as Agent and/or lender ("HFG" or "Lender"), substantially in the form annexed as Exhibit A hereto (the "DIP Agreement") and other Documents² (collectively with the DIP Agreement, the "DIP Loan Documents");

(b) authorization, under section 363(b) of the Bankruptcy Code and Bankruptcy Rule 6004, for the Debtor to obtain from the Lender on the Interim Funding Date and from time to time thereafter pending the Final Hearing (as defined below), Revolving Advances (the "Lender Debt") in amounts not to exceed a maximum outstanding principal amount of \$3,500,000 (the "Interim Amount");

¹ Capitalized terms used in this Order, unless herein defined, shall be used with the meanings ascribed to such terms in the DIP Loan Documents or the Motion.

² Documents include the Affiliate Guaranty and the Affiliate Mortgage.

(c) authorization for the Debtor to grant to the Lender assurances for the full and timely payment of Lender Debt by granting to the Lender (i) pursuant to section 364(c)(1) of the Bankruptcy Code, a Superpriority Administrative Expense Claim, subject to the Carve Out (as defined herein), (ii) pursuant to section 364(c)(2) and (3) of the Bankruptcy Code, first priority and senior Liens on, and security interests in, any and all of the Collateral, subject only to the Permitted Liens and the Carve Out (each as defined herein) and the post-petition adequate protection liens granted to the Trustee (as herein defined) in Non Receivable Pre-Petition Bond Collateral (as defined herein), and (iii) pursuant to section 364(d) of the Bankruptcy Code, a priming lien on, and security interest in, the Receivables (as defined in the DIP Agreement), senior in right and priority to the lien and security interest therein (the "Trustee Receivable Lien") in favor of The Bank of New York, as indenture trustee (the "Indenture Trustee") and The Bank of New York as 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."), subject only to the Carve Out;

(d) authorization for certain non-Debtor affiliates, including, 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 (the "Affiliates") to issue guaranties of the Lender 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"), but subject to the Permitted Real Property Liens (as defined in the DIP Agreement) (the "Affiliate Mortgages");³

(e) modification of the automatic stay, pursuant to section 362 of the Bankruptcy Code and Bankruptcy Rule 4001, to permit the Lender, in its sole discretion, (a) to file financing statements, deeds of trust, mortgages or other similar documents to evidence its security interests under the Postpetition Financing and under the Interim and Final Financing Orders, and (b) to take other actions required or permitted by the DIP Loan Documents;

(f) scheduling the Final Hearing on this Motion to consider entry of a Final Order, among other things, approving the DIP Agreement and other related DIP Loan Documents, and (b) establishing notice procedures in respect of the Final Hearing.

The Debtor having requested in the Motion that an order approving the Post-Petition Financing be entered on an interim basis (the "Interim Financing Order"); and the Court having entered the Interim Financing Order on September 26, 2007; and the Interim Financing Order having scheduled a hearing (the "Final Hearing") with respect to entry of a final financing order

³ Real property interests held by the Affiliates are represented by the Debtors to be as follows:

(the "Final Financing Order") for October 17, 2007, which hearing was continued on consent of the parties to October 23, 2007; and notice of the Final Hearing having been given in accordance with the Interim Financing Order; and the Official Committee of Unsecured Creditors (the "Committee") and Commerce Bank N.A. ("Commerce") having interposed objections (collectively, the "Objections") to the relief requested in the Motion; the Final Hearing having been held on October 23, 2007 at which all Objections to the relief sought in the Motion were either withdrawn or overruled; and HFG having agreed to provide the financing on the terms and conditions set forth in the DIP Loan Documents.

NOW, THEREFORE, upon the Motion, the DIP Loan Documents, the record of the Interim Hearing and the record of the Final Hearing, and after due deliberation and good and sufficient cause appearing therefor, the Court hereby makes the following findings of fact and conclusions of law:

Based upon the record presented to the Court, it appears that:

- A. On September 24, 2007 (the "Filing Date"), the Debtor filed a voluntary petition for reorganization in this Court under chapter 11 of the Bankruptcy Code.
- B. The Debtor has continued in the management and operation of its respective business and properties as a debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.
- C. The Debtor is a healthcare provider with a licensed 280 bed hospital facility in Westwood, New Jersey and is part of a system of healthcare affiliates known as the Well Care Group, Inc. The Debtor does not have sufficient available sources of working capital and financing to carry on the operation of its business without the Post-Petition Financing. The ability of the Debtor to pay employees, care for patients, maintain business relationships with vendors and suppliers, and otherwise finance its operations is essential to the Debtor's continued viability and/or orderly winddown. Without the Post-Petition Financing, the continued operation of the

Debtor's business would not be possible, and serious and irreparable harm to the Debtor and its estate would result. Serious and irreparable harm also would or may happen to persons who depend on the Debtor and are unable to protect their interests, including, but not limited to, patients cared for by the Debtor. The purpose of the Post-Petition Financing will thus be to preserve, maintain and enhance the going concern value of the Debtor, to allow for a successful orderly liquidation and disposition of the Debtor's assets in Chapter 11, as well as to protect patients and other persons dependent on the Debtor's services.

D. Given the Debtor's financial condition, financing arrangements, and capital structure, the Debtor does not have sufficient available sources of working capital and financing to carry on as a community based, acute care provider of essential medical services and is otherwise unable to obtain unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. Financing on a post-petition basis is not otherwise available without the Debtor's granting, pursuant to section 364(c)(1) of the Bankruptcy Code, claims having priority over any and all administrative expenses of the kinds specified in sections 503(b) and 507(b) of the Bankruptcy Code other than as described below, securing such indebtedness and obligations with the security interests in and the liens upon the property described below pursuant to section 364(c) and (d) of the Bankruptcy Code and without the Affiliate Guaranties secured by the Affiliate Mortgages. The Debtor is unable to obtain the necessary post-petition financing that it needs on terms more favorable in the aggregate than those provided in the DIP Loan Documents.

E. HFG has agreed to advance funds to the Debtor on a revolving credit basis, subject to the terms and conditions set forth in the DIP Loan Documents. The Debtor believes that the Post-Petition Financing, together with use of cash collateral, will provide it with sufficient availability to enable it to meet its ongoing operating expenses and provide for its orderly liquidation.

F. The Debtor believes that it will require advances from HFG from time to time, the outstanding amount of which at any one time will not exceed the Committed Amount, but subject to the agreed upon budget (as amended, supplementing and extended from time to time with the approval of Lender and the Trustee, the "Budget"), the Borrowing Base and/or reserves as more fully set forth in the DIP Loan Documents.

G. The Debtor is unable to obtain an adequate unsecured loan allowable under section 503(b)(1) of the Bankruptcy Code and must grant HFG a superpriority administrative expense claim, as contemplated by section 364(c)(1) of the Bankruptcy Code and liens as contemplated by section 364(c)(3) of the Bankruptcy Code. HFG's lending under the DIP Loan Documents is conditioned upon the (a) grant of a priming lien in the Debtor's Receivables (as defined in the DIP Agreement) senior in right to the Trustee Receivable Lien (the "Priming Lien"), and subject only to the Carve Out; (b) grant of a first priority lien in all of the other Collateral, subject only to Permitted Liens, the Carve Out and the post-petition liens granted to the Trustee in the Non Receivable Pre-Petition Bond Collateral; and (c) receipt of the Affiliate Guaranties and the Affiliate Mortgages. The Trustees consent to the grant of the Priming Lien, subject to the Interim and Final Stipulated Orders Regarding Use of Cash Collateral and Adequate Protection entered in this proceeding (the "Cash Collateral Order").

H. The terms of the DIP Loan Documents, including the interest rates and fees applicable thereto, are at least as favorable to the Debtor as those available from alternative sources, under all of the circumstances. The terms of the DIP Loan Documents have been negotiated in good faith and at arm's length among the Debtor and HFG, reflect the Debtor's exercise of prudent business judgment consistent with its fiduciary duties, are fair and reasonable under the circumstances, and are enforceable in accordance with applicable law. The credit extended to the Debtor by HFG and the other Lenders under the terms of the DIP Loan Documents and this Final

Financing Order shall be deemed to have been extended in good faith as that term is used in section 364(e) of the Bankruptcy Code and HFG is therefore entitled to the protections of section 364(e) of the Bankruptcy Code.

I.HFG has agreed to make Revolving Advances to the Debtor in amounts not to exceed the maximum principal amount of \$10 million, but subject in each case to the Borrowing Base, interim sublimits (which require performance of further due diligence), and/or reserves as more fully set forth in, and the Budget required under, the DIP Loan Documents.

J.The Debtor is otherwise unable to obtain an adequate unsecured revolving credit facility allowable under section 503(b)(1) of the Bankruptcy Code and must grant to HFG a Superpriority Administrative Expense Claim as contemplated by section 364(c)(1) of the Bankruptcy Code. HFG has conditioned all advances to be made under the DIP Loan Documents upon the grant to them of (a) a Superpriority Administrative Expense Claim allowable under section 503(b) of the Bankruptcy Code with priority over any and all expenses and claims of any kind or nature whatsoever specified in any other section of the Bankruptcy Code, including, without limitation, sections 503(b) and 507(b) of the Bankruptcy Code, subject only to the Carve Out (as hereinafter defined) and pari passu with certain priority claims granted to the Trustee under the Cash Collateral Order as more fully set forth therein; (b) the Priming Lien on the Receivables, (subject to the Carve Out); and (c) first priority and senior Liens on and security interests in the Collateral (subject only to Permitted Liens, the Carve Out and the post-petition adequate protection liens granted to the Trustee in the Non Receivable Pre-Petition Bond Collateral), all in accordance with sections 364(c)(1), (2) and (3) and (d) of the Bankruptcy Code and (d) the Affiliate Guaranties and the Affiliate Mortgage.

K.The Debtor has no alternative source of financing to meet its short term and projected obligations, and consequently, it is essential that the Court approve the financing contemplated

hereby. Absent entry of this Final Financing Order, the Debtor's operations will be seriously disrupted, resulting in immediate and irreparable harm to its estate. It is in the best interest of the Debtor and necessary to the administration of its estate that it be allowed to borrow on the terms and conditions set forth herein.

L. This Court has jurisdiction over the Debtor's chapter 11 case and the Motion pursuant to 28 U.S.C. §§ 157(b) and 1334. This Final Financing Order is entered in a "core" proceeding as defined in 28 U.S.C. §§ 157(b)(2)(A), (D), and (M).

M. The record adequately demonstrates the need for the Court to have conducted the Interim Hearing on the notice provided because of the potential for immediate and irreparable harm to the Debtor, its assets, business and estate. Based on the record, the Court finds, pursuant to sections 105, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001(c) and 6004, that notice of the Final Hearing was adequate under all the circumstances set forth herein.

Based upon the foregoing, **IT IS HEREBY ORDERED, ADJUDGED AND**

DECREED as follows:

Approval of DIP Loan Documents; Authorization to Borrow

1. Approval of Motion and DIP Loan Documents. The Motion is granted, subject to, and to the extent provided in, the provisions of this Final Financing Order, and the DIP Loan Documents are hereby approved. The failure to reference or discuss any particular provision of the DIP Loan Documents shall not affect the validity or enforceability of any such provision.

2. Authorization to Execute and Deliver Documents. The Debtor is expressly authorized and empowered to execute and implement the DIP Loan Documents and any other document of any kind required to be executed and delivered in connection therewith, and with their consent, the Affiliates are authorized to execute and implement the Affiliate Guaranties and the Affiliate Mortgages and, subject to the limitations of this Final Financing Order, the terms and

conditions of the DIP Loan Documents are made fully enforceable against the Debtor and the Affiliates. The Debtor is authorized and directed to pay all principal, interest, fees, costs and other expenses which may be required or necessary for the Debtor to perform all of its obligations under this Final Financing Order and the DIP Loan Documents without further order or approval of the Court.

3. Authorization to Borrow and Payment of the Prepetition Debt. The Debtor is authorized and empowered to borrow funds pursuant to the DIP Loan Documents up to the Committed Amount, on the terms set forth in the DIP Loan Documents.

4. Amendments and Waivers. HFG and the Debtor may amend, modify, supplement, extend or waive any provision of the DIP Loan Documents if such amendment, modification, supplement, extension or waiver is not material (in the good faith judgment of HFG and the Debtor), without any need to apply to, or receive further approval from, the Court. The Debtor shall provide counsel to the Committee and counsel to the Trustee with prior written notice of any such nonmaterial amendment, modification, supplement, extension or waiver. Any material amendment, modification, supplement or waiver shall be in writing, signed by the parties to the applicable Document, and approved by the Court on appropriate notice.

5. Delivery of Instruments. The Debtor is authorized and directed to do and perform all acts, to make, execute and deliver all instruments, agreements and documents which may be required or necessary for the Debtor to perform all of its obligations under this Final Financing Order and the DIP Loan Documents without any further order or approval of the Court.

Payment of Lender Debt

6. Payment of Principal, Interest, Fees, Etc. The Debtor shall pay to HFG principal and interest as provided in the DIP Loan Documents in accordance with the procedures therein set forth. In consideration of the financial accommodations to be made by HFG under this Final Financing

Order and the DIP Loan Documents, the Debtor is hereby authorized, without further order of the Court, to pay to HFG all reasonable fees and charges as set forth in the DIP Loan Documents, including but not limited to commitment fees, unused line fees, administrative fees, monitoring fees, servicing fees, termination fees and collection fees, and to reimburse for all reasonable out-of-pocket expenses and professional fees and related disbursements incurred by them in connection with the preparation of this Order, the DIP Loan Documents and/or all matters arising in or related to the bankruptcy case and proceeding. The professional fees and expenses incurred by HFG are not subject to the provisions of sections 327, 328, 329, 330 or 331 of the Bankruptcy Code and shall be paid by the Debtor pursuant to the DIP Loan Documents without further order of the Court, *provided* that HFG shall provide a copy of any invoices (redacted with respect to privileged matters) for its professional fees and expenses to counsel for the Debtor, counsel for the Committee, if any, and the Office of the United States Trustee, no less than 10 days prior to the Debtor's payment of such invoices so that they may be reviewed solely as to reasonableness.

Superpriority Administrative Claim; Collateral

7. Superpriority Administrative Expense Claim; Carve Out; Waiver under Section 506(c). All of the Lender Debt shall have the status of a Superpriority Administrative Expense Claim in the Debtor's chapter 11 case pursuant to section 364(c)(1) of the Bankruptcy Code, having priority over any and all expenses and claims of any kind or nature whatsoever of or against the Debtor, whether heretofore or hereafter incurred, specified in any other section of the Bankruptcy Code, including, without limitation, sections 105, 326, 328, 330, 331, 364(c)(1), 503(b), 507(a), 507 (b), 726, 1113 and 1114 thereof, subject only to the Carve Out. No other claim or expense having a priority senior or pari passu to the priority granted to HFG in this Final Financing Order shall be granted or permitted in the Debtor's chapter 11 case, or any superseding

chapter 7 case, while any portion of the Lender Debt remains outstanding, except with respect to the Carve Out as herein provided, and pari passu with certain priority claims granted to the Trustee under the Cash Collateral Order as more fully set forth therein. 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 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 liens and Super-Priority Administrative Expenses granted hereunder (except the lien granted on the Affiliate Real Property); 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 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 HFG to object to fees and expenses of professionals retained by the Debtor and the Committee. Notwithstanding anything to the contrary set forth herein, no advances made under the DIP Loan Documents or this Final Financing Order nor any portion of the Carve Out may be used to prosecute actions, claims, demands or causes of action against HFG or the Trustee, or to object to or contest in any manner, or to raise any defense in any pleading to the validity, perfection, priority or enforceability of HFG's Liens and security interests granted hereunder and under the DIP Loan Documents or the Lender Debt or the Trustee's Liens and security interests under the Cash Collateral Order or the Bonds. Except for the Carve Out, no costs or expenses of administration shall be imposed against HFG or the Collateral under section 105 or 506(c) of the Bankruptcy Code, or otherwise. Except as

otherwise agreed to by the parties, the time of payment of the Superpriority Administrative Expense Claim shall not be altered, extended or impaired by any plan that may hereafter be accepted or confirmed or any further orders of the Court which may hereafter be entered. The Carve Out contemplated hereby and the Carve Out contemplated in the Cash Collateral Order are intended to represent a single surcharge against the respective liens, security interests and super-priority administrative expenses granted under either and both of such orders.

8. Collateral Security. As security for the full and timely payment of Lender Debt, HFG is hereby granted: (i) pursuant to section 364(d), a first priority Priming Lien on the Debtor's Receivables, senior in right to the existing Trustee Receivable Lien on such property in favor of the Trustees, and (ii) pursuant to section 364(c)(2) and (3), first priority senior liens on, and security interests in, all of the Collateral, subject and subordinate only to (a) the valid, perfected non-avoidable Permitted Liens (including the liens granted to the Trustee in the collateral securing the Bonds on a pre-petition basis, other than the Receivables (the "Non Receivable Pre-Petition Bond Collateral")), (b) the post-petition adequate protection liens granted to the Trustee in the Non Receivable Pre-Petition Bond Collateral pursuant to the Cash Collateral Order, and (c) the Carve Out and (iii) the Affiliate Mortgages. The term "Collateral" shall have the definition ascribed thereto in the DIP Agreement and includes all of the Debtor's assets including, without limitation, whether now existing or owned or hereafter arising or acquired, all receivables, all general intangibles and payment intangibles, contract rights, deposits and deposit accounts, lockboxes and lockbox accounts, goods, inventory, machinery and equipment, goodwill and investment property, membership rights, privileges and interests in any person, and leasehold interests, and all cash and non-cash proceeds of the foregoing, including without limitation, causes of action and proceeds therefrom under sections 544, 545,

547, 548, 549, 550 and 724(e) of the Bankruptcy Code. (the "Avoidance Actions") which lien on Avoidance Actions shall be senior to that granted under the Cash Collateral Order.

9. No Subordination. Other than as provided for herein in connection with the Cash Collateral Order, the Liens on, and security interests in, the Collateral granted to HFG under this Final Financing Order and pursuant to the DIP Loan Documents shall not be subordinated to, or made *pari passu* with, any other Lien or security interest, other than the Permitted Liens, the Carve Out and the post-petition adequate protection liens granted to the Trustee in the Non Receivable Pre-Petition Bond Collateral, however and whenever arising, in the Debtor's chapter 11 case or any superseding chapter 7 case.

10. Automatic Perfection of Liens. –

(a) The Liens and security interests in favor of HFG described herein and in the DIP Loan Documents are valid, binding, enforceable and perfected with the priorities herein and therein set forth;

(g) HFG shall not be required to file any financing statements, mortgages, notices of lien or similar instruments in any jurisdiction or filing office, or to take any other action in order to validate or perfect the Liens and security interests granted by or pursuant to this Final Financing Order or pursuant to the DIP Loan Documents;

(h) Should HFG, in its sole discretion, from time to time, choose to file such financing statements, termination statements, mortgages, notices of lien or similar instruments, take possession of any Collateral securing the indebtedness hereby authorized for perfection purposes, or take any other action to protect from infringement or otherwise validate or perfect any such security interest or Lien, the Debtor and its officers are hereby directed to execute any such documents or instruments as HFG shall reasonably request, and all such documents and instruments shall be deemed to have been filed or recorded at the time and on the date of entry of this Final Financing Order; and

(i) In the discretion of HFG, a certified copy of this Final Financing Order may be filed with or recorded in filing or recording offices in addition to or in lieu of such financing statements, mortgages, notices of lien or similar instruments, and all filing offices are hereby directed to accept such certified copy of this Final Financing Order for filing and recording.

Termination

1. Termination. Notwithstanding the provisions of section 362 of the Bankruptcy Code and without order of or application or motion to the Court, in the event of (a) the failure of the Debtor to perform any of its obligations under this Final Financing Order, or (b) the occurrence and continuance of an Event of Default, as defined in the DIP Loan Document, then and upon the occurrence of either of the foregoing (each a "Termination Event"), and at all times during the continuance thereof, HFG may upon not less than five (5) business days prior written notice to the Debtor and its counsel, counsel to the Trustee, the Office of the United States Trustee, and counsel for the Committee, (unless the Court for cause orders that such time period may be shortened to avoid irreparable harm) exercise any and all rights and remedies allowed under the DIP Loan Documents and applicable law (subject to the Intercreditor Agreement entered into between Lender and the Trustee in connection herewith); *provided, however*, that notwithstanding the foregoing and section 362 of the Bankruptcy Code, and without order of or application or motion to the Court, if an Event of Default exists, HFG may do one or more of the following at any time and in any order: (i) take immediate reasonable action to safeguard the Receivables from dissipation; (ii) reduce the amount of the Total Revolving Commitment or the Borrowing Base used in computing availability under the DIP Loan Documents, and (iii) restrict the amount of or refuse to make loans under the DIP Loan Documents or terminate HFG's commitment to lend under the DIP Loan Documents, and (iv) declare the Lender Debt to be immediately due and payable. HFG's failure to exercise rights under this paragraph shall not constitute a waiver of any of its rights. The Debtor waives any right to seek relief under the Bankruptcy Code, including, without limitation, under section 105 of the Bankruptcy Code or to seek any other injunctive or similar relief following a Termination Event, to the extent any such relief would in any way restrict or impair the rights and remedies of HFG set forth in this Final Financing Order and in the DIP Loan Documents; *provided* that such waiver shall not

preclude the Debtor or other party in interest from contesting whether an Event of Default has occurred and is then continuing.

2. Maturity Date. In addition to any rights and remedies of HFG under the terms of this Final Financing Order, the Postpetition Financing shall immediately and automatically terminate and the Lender Debt shall be immediately due and payable upon the Maturity Date. The obligations of the Debtor and the rights, claims, Liens, security interests and priorities of HFG shall continue beyond and remain unimpaired and unaffected by the occurrence of the Maturity Date or a Termination Event.

MISCELLANEOUS PROVISIONS

3. Reporting Requirements. The Debtor's obligations to allow reasonable access to representatives of HFG upon prior notice, and to provide reasonable information with respect to and otherwise comply with the undertakings and agreements set forth in this Final Financing Order and the DIP Loan Documents shall continue until the indefeasible payment in full of all Lender Debt.

4. Lockboxes. Collections and other funds shall be subject to a depository agreement (the "Depository Agreement") between the Debtor, HFG, and Valley National Bank as the Lockbox Bank ("Valley"), substantially in the form of Exhibit to the DIP Agreement, which form of agreement is hereby approved in all respects; *provided however*, that notwithstanding the foregoing or anything to the contrary contained in the Depository Agreement, the Debtor shall not provide a Revocation Order (as defined in the Depository Agreement) without prior approval by the Court after no less than ten (10) business days notice to HFG; and *provided, further*, Valley is authorized and directed, on a daily basis, to wire to a collection account to be maintained by HFG all amounts received into the Debtor's depository accounts.

5. Binding Effect of Order. This Final Financing Order shall be binding upon the Debtor and its successors and assigns, including, without limitation, any chapter 11 trustee or chapter 7 trustee hereafter appointed as a representative of the Debtor's estate and any such successors or assigns, without further order of this Court, and the Debtor and its successors and assigns shall be deemed authorized and directed to comply with the provisions of the DIP Loan Documents; *provided, however*, that HFG shall have no obligation to extend any financing to any chapter 11 trustee(s) or chapter 7 trustee(s) or similar responsible person appointed for the estate of the Debtor.

6. No Impairment of Liens and Order. The Lender Debt, the Priming Liens and other Liens, security interests, Superpriority Administrative Claims, and other rights and remedies granted to HFG hereunder or under the DIP Loan Documents and any actions taken pursuant hereto shall survive, and shall not be modified, altered or impaired in any manner by (a) any other financing or extension of credit or use of cash collateral or incurrence of debt by the Debtor (under Bankruptcy Code section 363, 364 or otherwise), except as provided in the Cash Collateral Order, (b) the entry of an order confirming any plan or plans of reorganization, or (c) the entry of an order converting the Debtor's chapter 11 case to chapter 7 or dismissing the chapter 11 case or by any act or omission whatsoever. This Final Financing Order and the DIP Loan Documents shall continue in force in the chapter 11 case or any superseding chapter 7 case, and the Liens and security interests granted to HFG and the superpriority status of the administrative claims and payment provisions contained in the DIP Loan Documents and this Final Financing Order shall continue in effect until the Lender Debt is indefeasibly satisfied, paid, and discharged

7. Validity of Lien. The lien securing the Post-Petition Financing shall not be subject to any lien which is avoided and which would otherwise be preserved for the benefit of the Debtor's estate under Bankruptcy Code § 551.

8. Good Faith. Having been found to be extending the Post-Petition Financing to the Debtor in good faith HFG is entitled to the full protection of section 364(e) of the Bankruptcy Code with respect to the Lender Debt and the Liens created or authorized by this Final Financing Order in the event that this Final Financing Order or any authorization contained herein is stayed, vacated, reversed or modified on appeal. If any provision of this Final Financing Order is hereafter modified, vacated, reversed or stayed by subsequent order of this or any other court for any reason, such modification, vacation, reversal or stay shall not affect the validity, enforceability and priority of any of the Lender Debt or Collateral or the claims, Liens and security interests granted to HFG under this Final Financing Order and the DIP Loan Documents, and the validity, enforceability or priority of Lender Debt and the Collateral, claims, liens and security interests of HFG shall be governed in all respects by the original provisions of this Final Financing Order, and HFG shall be entitled to all of the rights, privileges and benefits granted herein, including, without limitation, the Liens, security interests and priorities granted to HFG in this Final Financing Order with respect to all Lender Debt.

9. No Control. HFG 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 Final

Financing Order and making advances or extending financial accommodations of any type, kind or nature under this Final Financing Order or administering the loans made hereunder.

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

11. No Marshalling. In no event shall HFG be subject to the equitable doctrine of “marshalling” or any similar doctrine with respect to the Collateral; provided that with respect to collateral interests granted by the Debtor, Lender shall first look to proceeds of the Receivables to satisfy its claims under the DIP Loan Documents.

12. Automatic Stay. The automatic stay imposed by virtue of section 362 of the Bankruptcy Code is hereby vacated and modified insofar as necessary to permit HFG to take any action authorized or contemplated by this Final Financing Order or the DIP Loan Documents and to carry out the terms thereof, subject, however, to the satisfaction of any notice, procedural and other conditions contained in this Final Financing Order or the DIP Loan Documents.

13. Inconsistency. In the event of any irreconcilable inconsistency between this Final Financing Order and any agreement heretofore or hereafter entered into by and between the Debtor and HFG, the terms of this Final Financing Order shall govern and control.

14. Headings. The headings in this Final Financing Order are for reference purposes only and will not in any way affect the meaning and interpretation of the terms of this Final Financing Order.

15. Immediate Enforceability, Docketing and Effect of Order. The Clerk of the Court is hereby directed to forthwith enter this Final Financing Order on the docket of this Court maintained in regard to the chapter 11 case. The terms of this Order shall be (a) immediately enforceable pursuant to Bankruptcy Rule 8005; and (b) not stayed absent (1) an application by a party in

interest for such stay in conformance with such Bankruptcy Rule 8005, and (2) a hearing upon notice to the Debtor and Lender. This Final Financing Order shall be effective upon its entry and not subject to any stay (notwithstanding anything to the contrary contained in Bankruptcy Rules 4001(a)(3) and 6004(g)).

16. No Impermissible Setoff. Medicare and Medicaid, as obligors of the Debtor with respect to either or both the pre-petition or post-petition Receivables, are directed to make payment thereof on a post-petition basis as usual and customary pre-petition, without offset, set off, recoupment, counterclaim or defense other than as contractually permitted.

Dated: Newark, New Jersey
October 30, 2007


UNITED STATES BANKRUPTCY JUDGE

CONSENTED AND AGREED:

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.,
as counsel to the Trustees

By: _____
A Member of the Firm

CONSENTED AND AGREED:

HAHN & HESSEN LLP, as counsel to
HFG Healthco-4, LLC

By: _____
A Member of the Firm

Bankruptcy Noticing Center
2525 Network Place, 3rd Floor
Herndon, Virginia 20171-3514

CERTIFICATE OF SERVICE

District/off: 0312-2
Case: 07-23686

User: crichard
Form ID: pdf903

Page 1 of 1
Total Served: 6

Date Rcvd: Oct 30, 2007

The following entities were served by first class mail on Nov 01, 2007.
db +Pascack Valley Hospital Association, Inc., 250 Old Hook Road, Westwood, NJ 07675-3181
aty +Jack M. Zackin, Sills Cummis Radin Tischman Epstein, One Riverfront Plaza,
Newark, NJ 07102-5418
aty +Jackson Lewis LLP, 220 Headquarters Plaza, East Tower, 7th Fl., Morristown, NJ 07960-6855
aty +Sills Cummis Epstein & Gross P.C., One Riverfront Plaza, Newark, NJ 07102-5418
aty +Simon Kimmelman, Sills Cummis Epstein & Gross, P.C., 650 College Road East,
Princeton, NJ 08540-6603
aty +Valerie A. Hamilton, Sills Cummis Epstein & Gross, P.C., 650 College Road East,
Princeton, NJ 08540-6603

The following entities were served by electronic transmission.
NONE.

TOTAL: 0

***** BYPASSED RECIPIENTS *****

NONE.

TOTAL: 0

Addresses marked '+' were corrected by inserting the ZIP or replacing an incorrect ZIP.
USPS regulations require that automation-compatible mail display the correct ZIP.

I, Joseph Speetjens, declare under the penalty of perjury that I have served the attached document on the above listed entities in the manner shown, and prepared the Certificate of Service and that it is true and correct to the best of my information and belief.

First Meeting of Creditor Notices only (Official Form 9): Pursuant to Fed. R. Bank. P. 2002(a)(1), a notice containing the complete Social Security Number (SSN) of the debtor(s) was furnished to all parties listed. This official court copy contains the redacted SSN as required by the bankruptcy rules and the Judiciary's privacy policies.

Date: Nov 01, 2007

Signature: _____

