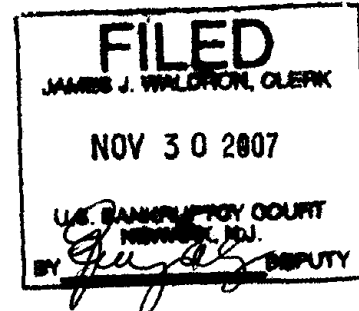


**GARFUNKEL, WILD & TRAVIS, P.C.**  
411 Hackensack Avenue  
Hackensack, NJ 07601  
Tel: (201) 883-1030  
Fax: (201) 883-1031  
Christina Van Vort, Esq.

**Hahn & Hessen LLP**  
488 Madison Avenue  
New York, NY 10022  
Tel: (212) 478-7200  
Fax: (212) 478-7400  
Rosanne Thomas Matzat, Esq.



*Co-Counsel to HFG Healthco-4 LLC  
and Healthcare Finance Group, Inc.*

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW JERSEY**

-----X  
In re: Chapter 11  
  
PASCACK VALLEY HOSPITAL ASSOCIATION, INC., Case No. 07-23686 (RG)  
  
Debtor. Hearing Date: December 3, 2007 at 11:00 a.m. (ET)  
-----X

**LIMITED OBJECTION OF HFG HEALTHCO-4 LLC AND HEALTHCARE  
FINANCE GROUP, INC. TO DEBTOR'S MOTION FOR ENTRY OF AN ORDER  
AUTHORIZING AMENDMENT AND ASSUMPTION OF AGREEMENT FOR  
ACCOUNTS RECEIVABLE SERVICES**

HFG Healthco-4 LLC and Healthcare Finance Group, Inc. (collectively, "HFG"), as secured lender and agent, respectively, under that certain *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* (the "DIP Financing Order") [Docket No. 163], for the above-captioned debtor and debtor-in-possession (the "Debtor"), by and through their undersigned counsel, hereby file this limited objection (the "Objection") to the

*Debtor's Motion for Entry of an Order Authorizing Amendment and Assumption of Agreement for Accounts Receivable Services* (the "*Motion*") [Docket No. 219] and, in support thereof, respectfully represent as follows:

### **BACKGROUND**

1. On September 24, 2007, the above-captioned debtor (the "*Debtor*") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "*Bankruptcy Code*") with the United States Bankruptcy Court for the District of New Jersey (the "*Court*") and since that time has remained in possession of its property and management of its business as debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

2. On October 30, 2007, the Court entered the DIP Financing Order approving that certain *Revolving Loan and Security Agreement* (the "*DIP Financing Agreement*") between HFG and the Debtor.

3. The DIP Financing Agreement is in draft form and to date, the Debtor has failed to finalize the DIP Financing Agreement and to notify HFG whether it intends to do so in the future.

4. On November 19, 2007, the Debtor filed, on shortened notice, the instant Motion.

### **LIMITED OBJECTION**

5. By the Motion, the Debtor seeks to amend and assume a certain *Agreement for Accounts Receivable Services* (the "*MD-X Agreement*") by and between the Debtor and MD-X Strategies, Inc. ("*MD-X*"). One of the Debtor's principal arguments in support of assuming the MD-X Agreement is that "the continuation of the Agreement with MD-X fulfills a condition precedent to obtaining post-petition financing from HFG." Motion, ¶ 23. The Debtor is mistaken in that the MD-X Agreement, as submitted, fails to fulfill the requisite condition precedent.

6. The draft DIP Financing Agreement requires the Debtor to “appoint[] the Backup Servicer to monitor actively and follow on a daily basis the [Debtor] in its performance of the servicing responsibilities with respect to the Receivables”.<sup>1</sup> DIP Financing Agreement, ¶ 8.14. “Backup Servicer”, as used therein, is defined as “MD-X Solutions, Inc. or any other Person then identified by [HFG] to the [Debtor] as being authorized to administer and service the Receivables”. *Id.*, at 3. However, as a condition precedent to obtaining post-petition funding, the Debtor must provide a Backup Servicer agreement “in form and substance satisfactory” to HFG. DIP Financing Agreement, ¶¶ 6.01, 6.01(e) and Exhibit VIII(A)(11).

7. As HFG advised the Debtor both prior and subsequent to the filing of the Motion, the MD-X Agreement, as currently proposed, is not in a form and substance satisfactory to HFG and, therefore, does *not* fulfill the condition precedent to funding under the draft DIP Financing Agreement. HFG’s principal objection relates to the term of the MD-X Agreement which provides for the agreement’s expiration “upon the earlier of (i) March 31, 2008 or (ii) the liquidation of \$20 million in accounts receivable.” Motion, ¶ 15. As such, a substantial likelihood exists that the MD-X Agreement will expire prior to the Maturity Date of the DIP Financing Agreement leaving the Debtor without a means to bill and collect Receivables, which serve as HFG’s main collateral under the DIP Financing Agreement. Accordingly, HFG requires the Debtor to extend the term of the MD-X Agreement so that it will run until the Maturity Date of the DIP Financing Agreement. Additionally, as incident to a Backup Servicing relationship, including the MD-X Agreement, the parties routinely require entry into a limited agency letter addressing the parties’ relative rights in the event of a default under the terms of the DIP Financing Agreement. The Motion makes no reference to the need for execution of this limited

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the DIP Financing Agreement.

agency letter and/or approval of its terms. Annexed hereto as *Exhibit A* is a form of such letter acceptable to HFG.

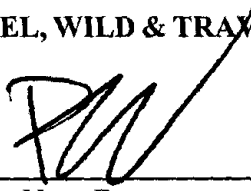
8. As the relief sought by the Motion is justified in large part on the need to comply with the terms of the draft DIP Financing Agreement, unless the MD-X Agreement is modified in the manner described above, any such justification should be disregarded by the Court.

**WHEREFORE**, HFG respectfully requests that this Court grant an Order (i) sustaining the Objection, (ii) modifying the terms of the MD-X Agreement in a manner consistent with the terms discussed herein, and (iii) granting such other and further relief as may be just and proper.

Dated: November 30, 2007  
New York, New York

Respectfully submitted,

**GARFUNKEL, WILD & TRAVIS, P.C.**

By:   
Christina Van Vort, Esq.  
Philip C. Chronakis, Esq.  
411 Hackensack Avenue  
Hackensack, NJ 07601  
Tel: (201) 883-1030  
Fax: (201) 883-1031

**Hahn & Hessen LLP**  
Rosanne Thomas Matzat, Esq.  
488 Madison Avenue  
New York, NY 10022  
Tel: (212) 478-7200  
Fax: (212) 478-7400

*Co-Counsel to HFG*

Ex A

GWT DRAFT  
11/12/07



November \_\_, 2007

Mr. Joseph Davi  
MD-X Solutions  
725 Darlington Avenue  
Mahwah, NJ 07430  
Attention: Mr. Rob Wright

Re: Appointment of HFG as Limited Agent for PVH

Dear Mr. Davi:

Pascack Valley Hospital Association, Inc., a New Jersey nonprofit corporation having an office at 250 Old Hook Road, Westwood, New Jersey 07675 ("PVH"), and MD-X Solutions, Inc. having an office at 725 Darlington Avenue, Mahwah, NJ 07430 ("Vendor"), entered into that certain Agreement for Accounts Receivable Services, dated as of January 16, 2006 (as amended by the First Amendment thereto dated the \_\_ day of November, 2007, the "Vendor Agreement"). This letter is to notify you that PVH hereby appoints Health Finance Group, Inc., a Delaware corporation having an office at 199 Water Street, 20<sup>th</sup> Floor, New York, New York 10038, and agent for the lenders party to the Revolving Loan and Security Agreement described below ("HFG"), as its limited agent to direct Vendor's performance of services under the Vendor Agreement, solely as and to the extent specified in this letter of agency.

HFG, as agent for the lenders party thereto from time to time, and PVH are parties to that certain Revolving Loan and Security Agreement dated as of November \_\_, 2007 (as amended or modified from time to time, the "Loan Agreement"), whereby the lenders agreed to, among other things, loan money to PVH secured by certain assets of PVH, including its receivables, subject to the terms and conditions set forth therein.

HFG's limited agency shall become effective five (5) days after Vendor's actual receipt of a Notification of Agency at the address specified below for notices (the "Effective Date"). A "Notification of Agency" shall be written notice from an authorized officer of HFG, with a copy to PVH, and may be sent by HFG only upon, and during the continuance of, an Event of Default by PVH under the Loan Agreement. HFG shall only provide a Notification of Agency upon the good faith belief that an Event of Default has occurred and is continuing under the Loan Agreement.

Once effective, HFG's limited agency shall remain effective until the earlier of (i) written notice from an authorized officer of HFG that it will no longer act as PVH's limited agent as of a specified date or (ii) a court of competent jurisdiction holds that such limited agency no longer exists. PVH shall neither have the right to revoke HFG's limited agency once such limited agency becomes effective nor revoke this present grant of future limited agency unless and until all secured obligations under the Loan Agreement have been fully and indefeasibly paid in cash.

Notwithstanding the foregoing, HFG's limited agency shall not include the ability to (i) unilaterally modify the Vendor Agreement's terms or conditions, it being expressly understood and agreed that the Vendor Agreement may only be modified with Vendor's express written consent; (ii) terminate the Vendor Agreement in whole or in part, or (iii) take any actions or inactions that would place PVH or Vendor in breach of any of their respective obligations under the Vendor Agreement. Except as expressly provided herein, HFG's agency shall not include the assumption of any obligation, including without limitation, any indemnification or payment obligations of PVH under the Vendor Agreement, and Vendor shall at all times look solely to PVH for payment of services performed under the Vendor Agreement. Notwithstanding the foregoing, (i) solely during such time as a Notification of Agency shall be in effect, HFG shall pay Vendor's fees under the Vendor Agreement to the extent based upon Collections, as defined in the Vendor Agreement, and (ii) HFG shall have the obligation to reimburse PVH for payments made by PVH to Vendor under the Vendor Agreement to the extent services ordered by HFG pursuant to the Vendor Agreement are unnecessary in the ordinary course of servicing PVH's health care accounts receivable.

HFG shall at all times when acting as PVH's limited agent hereunder, act reasonably and prudently in the exercise of discretion in respect of the Vendor Agreement. In that regard, Vendor shall not be liable for HFG's [application or misapplication - need to clarify] of receivables collected by Vendor pursuant to the Vendor Agreement.

Notices hereunder, including without limitation, Notifications of Agency, will be effective upon actual delivery by (i) personal delivery; (ii) Federal Express or other nationally recognized overnight delivery service; or (iii) United States certified mail, return receipt requested, with postage prepaid to the addresses set forth below, or to such other place as a party to be notified may from time to time designate by at least five (5) business days' prior written notice to the other parties.

**Vendor**

MD-X Solutions  
(a division of MedAssets Net Revenue Systems, LLC)  
725 Darlington Avenue  
Mahwah, NJ 07430

Copy to:

Powell Goldstein, LLP  
Attn: Wendy L. Hagenau, Esq. and  
John A. Moore, Esq.  
1201 W. Peachtree St., N.W. 14<sup>th</sup> Floor  
Atlanta, GA 30309

**HFG**

Healthcare Finance Group, Inc.  
199 Water Street, 20<sup>th</sup> Floor

MD-X Solutions, Inc.  
November \_\_, 2007

Page 3

New York, NY 10038  
Attn: Suzanne E. Andrews, Esq.

**PVH**

Pascack Valley Hospital Association, Inc.  
250 Old Hook Road  
Westwood, NJ 07675  
Attn: Chief Financial Officer

Copy to:

Sills Cummis Epstein & Gross P.C.  
The Legal Center  
One Riverfront Plaza  
Newark, NJ 07102-5400  
Attn: Jack M. Zackin, Esq.

Notwithstanding the foregoing, nothing in this appointment of limited agency is intended to modify the Vendor Agreement or otherwise affect the rights of the parties thereunder in any way. Vendor expressly preserves all of its rights and remedies under the Vendor Agreement, including, but not limited to, its right to terminate such agreement if PVH fails to pay any amount due to Vendor under the agreement. This letter of agreement may be executed in counterparts, each of which when so executed shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

November \_\_, 2007

Please sign below to indicate your acceptance of the foregoing.

Sincerely,

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

---

Accepted and agreed on behalf of Healthcare Finance Group, Inc., as Agent:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

MD-X Solutions, Inc.  
November \_\_, 2007

Page 4

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Accepted and agreed on behalf of Vendor:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**GARFUNKEL, WILD & TRAVIS, P.C.**  
411 Hackensack Avenue  
Hackensack, NJ 07601  
Tel: (201) 883-1030  
Fax: (201) 883-1031  
Christina Van Vort, Esq.

**HAHN & HESSEN LLP**  
488 Madison Avenue  
New York, NY 10022  
Tel: (212) 478-7200  
Fax: (212) 478-7400  
Rosanne Thomas Matzat, Esq.  
*Co-Counsel to HFG Healthco-4 LLC  
and Healthcare Finance Group, Inc.*

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW JERSEY**

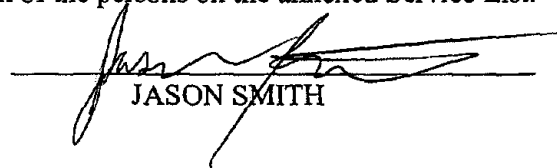
-----x  
In re: Chapter 11  
  
PASCACK VALLEY HOSPITAL Case No. 07-23686 (RG)  
ASSOCIATION, INC.,  
  
Debtor.

-----x  
**AFFIDAVIT OF SERVICE BY MAIL**

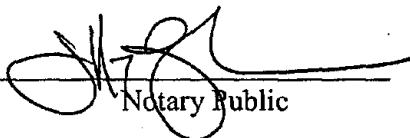
STATE OF NEW YORK )  
 ) ss.:  
COUNTY OF NEW YORK )

Jason Smith, duly sworn, deposes and says:

1. I am over 18 years of age and live in Bergen County, State of New Jersey, and am not a party to the above action.
2. On November 30, 2007, I served a copy of the **Limited Objection of HFG Healthco-4 LLC and Healthcare Finance Group, Inc. to Debtor's Motion for Entry of an Order Authorizing Amendment and Assumption of Agreement for Accounts Receivable Services by First Class Mail**, in a post-paid wrapper, in an official depository under the exclusive care and custody of the U.S. Postal Service within New York State, addressed to each of the persons on the annexed Service List.

  
\_\_\_\_\_  
JASON SMITH

Sworn to before me this  
30 day of November, 2007

By:   
\_\_\_\_\_  
Notary Public

**Jeffrey Zawadzki**  
Notary Public, State of New York  
No. 01ZA5067204  
Qualified in Queens County  
Commission Expires Oct. 15, 2010

**SERVICE LIST****Mitchell B. Hausman**

Office of the United States Trustee  
One Newark Center  
Suite 2100  
Newark, NJ 07102  
*First Class Mail*

**William W. Kannel****Kevin J. Walsh**

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.  
One Financial Center  
Boston, MA 02111  
*First Class Mail*

**Richard M. Meth**

Day Pitney LLP  
200 Campus Drive  
Florham Park, NJ 07932  
(Local Counsel for The Bank of New York)  
*First Class Mail*

J&J Health Care Systems, Inc.  
5972 Collections Center Drive  
Chicago, IL 60693  
*First Class Mail*

**Infoaxis Technologies**

6A Pearl Court  
Allendale, NJ 07401  
*First Class Mail*

Westwood Radiology Associates  
P.O. Box 66799  
Falmouth, ME 04105-6799  
*First Class Mail*

**Westwood Imaging Associates**

270 Old Hook Road  
Westwood, NJ 07675  
*First Class Mail*

Netaspx, Inc.  
1200 Washington Avenue South  
attn: Accoutns Receivable  
Minneapolis, MN 55415  
*First Class Mail*

**Medtronic – SD USA**

12099 Collections Center Drive  
Chicago, IL 60693  
*First Class Mail*

Biomet, Inc.  
Att: Lock Box  
Sr Davis Associates  
170 Changebrigde Road, A1  
Montville, NJ 07045  
*First Class Mail*

**GE Medical Systems**

P.O. Box 64099  
Pittsburgh, PA 15264-0944  
*First Class Mail*

MISYS Healthcare Systems  
P.O. Box 75214  
Charlotte, NC 28275  
*First Class Mail*

<p>Hess Corporation  P.O. Box 905243  Charlotte, NC 28290-5243  <b>First Class Mail</b></p>	<p>Microsoft Licensing, GP  c/o Bank of America  1401 Elm Street, 5<sup>th</sup> Fl.  Dept 842467  Dallas, TX 75202  <b>First Class Mail</b></p>
<p>NYU School of Medicine  Dept. of OB &amp; Gynecology  c/o Andrew Rubin  339 East 28<sup>th</sup> Street-BRK  New York, NY 10016-8666  <b>First Class Mail</b></p>	<p>Cardinal Health  Medical Products and Services  P.O. Box 13862  Newark, NJ 07188-0862  <b>First Class Mail</b></p>
<p>Bergen Nursing Team  400 Old Hook Rd.  Westwood, NJ 07675  <b>First Class Mail</b></p>	<p>Eclipsys Solutions Corp.  P.O. Box 8538-133  Philadelphia, PA 19171-0133  <b>First Class Mail</b></p>
<p>Cardinal Health Pharmacy MGMT  21377 Network Place  Chicago, IL 60673  <b>First Class Mail</b></p>	<p>Pascack Radiation Therapy Mgt.  c/o 250 Old Hook Road  Westwood, NJ 07675  <b>First Class Mail</b></p>
<p>Deloitte Consulting LLP  600 Renaissance Center Suite 900  Detroit, MI 48243  <b>First Class Mail</b></p>	<p>MD-X Solutions  725 Darlington Avenue  Mahwah, NJ 07642  <b>First Class Mail</b></p>
<p>Beckman Coulter, Inc.  Dept. CH10164  Palatine, IL 60055-0164  <b>First Class Mail</b></p>	<p><b>Sheila E. Calello</b>  McCarter &amp; English, LLP  Four Gateway Center  100 Mulberry Street  Newark, NJ 07102-4096  <b>First Class Mail</b></p>

<p><b>Shirley Terwilliger, President</b>  Health Professionals and Allied Employees  AFT/AFL-CIO, Local 5029  110 Kinderkamack Rd.  Emerson, NJ 07630  <i>First Class Mail</i></p>	<p><b>Mitchell Malzberg</b>  Mitnick &amp; Malzberg, PC  29 Race Street  P.O. Box 429  Frenchtown, NJ 08825  <i>First Class Mail</i></p>
<p><b>Thomas L. Jacob</b>  Air Products and Chemicals, Inc.  7201 Hamilton Boulevard  Allentown, PA 18195-1501  <i>First Class Mail</i></p>	<p><b>Leslie A. Berkoff</b>  <b>Lee J. Mendelson</b>  Moritt Hock Hamroff &amp; Horowitz LLP  400 Garden City Plaza  Garden City, NY 11530  <i>First Class Mail</i></p>
<p><b>Robert Malone</b>  <b>Douglas J. McGill</b>  Drinker, Biddle &amp; Reath  500 Campus Drive  Florham Park, NJ 07932-1047  <i>First Class Mail</i></p>	<p><b>Jeffrey A. Cooper</b>  Carella, Bryne, Bain, Gilfillan, Cecchi  5 Becker Farm Road  Roseland, NJ 07068-1735  <i>First Class Mail</i></p>
<p><b>The Law Offices of Joel Shafferman, LLC</b>  350 Fifth Ave.  Ste. 2723  New York, NY 10118  <i>First Class Mail</i></p>	<p><b>Allen J. Underwood, II</b>  <b>Ben H. Becker</b>  Becker, Meisel LLC  Eisenhower Plaza II  354 Eisenhower Pkwy., Suite 2800  Livingston, NJ 07039  <i>First Class Mail</i></p>
<p><b>Paul R. DeFilippo</b>  Wollmuth Maher &amp; Deutsch LLP  One Gateway Center, 9th Flr.  Newark, NJ 07102  <i>First Class Mail</i></p>	<p><b>Russell R. Huntington</b>  312 Kinderkamack Road  Westwood, NJ 07675  (201) 666-8282  <i>First Class Mail</i></p>
<p><b>Vincent A. D'Agostino</b>  <b>Eric H. Horn</b>  <b>Joseph M. Yar</b>  Lowenstein Sandler  65 Livingston Avenue  Roseland, NJ 07068  <i>First Class Mail</i></p>	<p><b>Dale E. Barney</b>  Gibbons P.C.  One Gateway Center  Newark, NJ 07102-5310  <i>First Class Mail</i></p>

<p><b>Karen L. Gilman</b>  Wolff &amp; Samson PC  The Offices at Crystal Lake  One Boland Drive  West Orange, NJ 07052  <i>First Class Mail</i></p>	<p><b>Richard Honig</b>  Hellring, Lindeman, Goldstein &amp; Siegal  One Gateway Center  8th Floor  Newark, NJ 07102  <i>First Class Mail</i></p>
<p><b>Carl J. Soranno</b>  Wolf Block  101 Eisenhower Parkway  Roseland, NJ 07068  <i>First Class Mail</i></p>	<p><b>Patricia A. Celano</b>  DeCotiis, Fitzpatrick, Cole and Wisner,  Glenpointe Centre West  500 Frank W. Burr Blvd.  Teaneck, NJ 07666  <i>First Class Mail</i></p>
<p><b>Donald F. Campbell, Jr.</b>  Giordano Halleran &amp; Ciesla, P.C.  125 Half Mile Road  PO Box 190  Middletown, NJ 07748  <i>First Class Mail</i></p>	<p><b>Attn: Yesim Brisbane</b>  Siemens Medical Solutions Diagnostic  Formerly Dade Behring Inc.  500 GBC Drive MS 802  Newark, DE 19702  <i>First Class Mail</i></p>
<p><b>Michael A. Farina, Esq.</b>  Thaler &amp; Gertler, LLP  90 Merrick Avenue  Suite 400  East Meadow, NY 11554  <i>First Class Mail</i></p>	<p><b>Warren J. Martin, Jr.</b>  <b>Brett S. Moore</b>  Porzio, Bromberg &amp; Newman, P.C.  100 Southgate Parkway  P.O. Box 1997  Morristown, NJ 07962-1997  <i>First Class Mail</i></p>
<p><b>St. Jude Medical S.C. Inc.</b>  Attn: Accounts Receivable  807 Las Climas Parkway, Suite 400  Austin, TX 78746  <i>First Class Mail</i></p>	<p><b>Jay Ganzman</b>  Deputy Attorney General  Department of Law and Public Safety  Division of Law  25 Market Street  P.O. Box 106  Trenton, NJ 08625  <i>First Class Mail</i></p>
<p><b>Marc S. Pfeuffer</b>  Pension Benefit Guaranty Corporation  1200 K Street, NW  Suite 340  Washington, DC 20005  <i>First Class Mail</i></p>	<p><b>Jack M. Zackin</b>  <b>Valerie A. Hamilton</b>  Sills Cummis &amp; Gross, PC  One Riverfront Plaza  Newark, NJ 07102  <i>First Class Mail</i></p>