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District Counsel for Tulare Local Healthcare District

IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re

TULARE LOCAL HEALTHCARE
DISTRICT, dba TULARE REGIONAL
MEDICAL CENTER,

Debtor.

Tax ID #: 94-6002897
Address: 869 N. Cherry St.
Tulare, CA 93274

CASE NO. 17-13797
DC No.: WW-41
Chapter 9
Date: August 2, 2018
Time: 9:30 a.m.
Place: 2500 Tulare Street
Fresno, CA 93721
Courtroom 13
Judge: Honorable René Lastreto II

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RECEIVED
August 02, 2018
CLERK, U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
0006332019

1 **FINAL ORDER AUTHORIZING THE DEBTOR TO ENTER INTO TRANSACTIONS,**
2 **INCLUDING THE SALE OF PERSONAL PROPERTY, THE ASSUMPTION AND**
3 **ASSIGNMENT OF CONTRACTS AND LEASES, THE LEASE OF REAL PROPERTY,**
4 **AND ENTRY INTO AN INTERIM MANAGEMENT SERVICES AGREEMENT, AND**
5 **INTERIM ORDER AUTHORIZING THE DEBTOR TO OBTAIN POST-PETITION**
6 **FINANCING, PURSUANT TO 11 U.S.C. SECTIONS 105, 362, 364, 365, 901 AND 922**

7 At Fresno, in the Eastern District of California.

8 Upon consideration of the motion (the "Motion")¹ of Tulare Local Healthcare District,
9 doing business as Tulare Regional Medical Center (the "Debtor" or the "Borrower") for entry
10 of an order:

11 (a) authorizing the Debtor to obtain secured postpetition financing consisting of a
12 superpriority loan facility (i) during the period (the "Interim Period") from the date of the entry
13 of this order (the "Interim Order" or the "Order") through and including the earlier to occur of
14 (x) the date of entry of the Final Order (defined below) by this Court and (y) the Termination
15 Date (defined below), in an aggregate principal amount not to exceed \$1,000,000, and (ii) upon
16 entry of the Final Order and thereafter until the Termination Date, in an aggregate principal
17 amount not to exceed \$10,000,000 (the "DIP Facility" and, the loans under the DIP Facility, the
18 "DIP Loans"), subject to the terms and conditions hereof, and as set forth in the Loan
19 Documents (as defined below);

20 (b) authorizing the Debtor to execute and deliver that certain Debtor-in-Possession
21 Credit Agreement (substantially in the form attached hereto as Exhibit A and as it may be
22 amended, modified or supplemented in accordance with the terms hereof and thereof, the "DIP
23 Credit Agreement" and, together with the Security Agreement and Chattel Mortgage, between
24 the Debtor and Lender (substantially in the form attached hereto as Exhibit B and as it may be
25 amended, modified or supplemented in accordance with the terms hereof and thereof, the
26 "Security Agreement") and all other agreements, documents and instruments executed and
27 delivered in connection therewith, including this Interim Order, the "Loan Documents"),
28 between the Debtor and Adventist Health System/West, doing business as Adventist Health, as

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

1 lender (the "Lender" or "Adventist Health"), and to perform such other and further acts as may
2 be required in connection with the Loan Documents;

3 (c) granting the DIP Facility and all obligations owing thereunder and under the Loan
4 Documents to the Lender and all other "Obligations" as described in the DIP Credit Agreement
5 (collectively, the "DIP Obligations") allowed superpriority administrative expense claims status
6 in the Chapter 9 Case (as defined below);

7 (d) granting to the Lender automatically perfected security interests in and liens on all
8 of the Collateral² (as defined below), which security interests and liens shall have the priorities
9 set forth in this Interim Order;

10 (e) authorizing the Debtor to use the proceeds of the DIP Facility in accordance with
11 this Interim Order, the Loan Documents and the Approved Budget;

12 (f) authorizing the Lender to exercise remedies under the Loan Documents upon the
13 occurrence and during the continuance of an Event of Default (as defined below);

14 (g) waiving the Debtor's right to surcharge against the Collateral pursuant to
15 Bankruptcy Code section 506(c);

16 (h) modifying the automatic stay imposed by Bankruptcy Code section 362 to the
17 extent necessary to implement and effectuate the terms of this Interim Order;

18 (i) scheduling a final hearing (the "Final Hearing") to consider entry of an order
19 (the "Final Order") granting the relief requested in the Motion relating to the DIP Facility on a
20 final basis and approving the form of notice with respect to the Final Hearing and the
21 transactions contemplated by the Motion relating to the DIP Facility;

22 (j) approving the sale of the Debtor's assets (the "Sale") pursuant to the Agreement
23 for Purchase and Sale of Assets, by and among the Debtor, Adventist Health Tulare, as buyer
24 (the "Buyer" or "AH Tulare"), and Adventist Health (substantially in the form attached hereto
25 as Exhibit C and as it may be amended, modified, or supplemented in accordance with the terms
26 hereof, the "APA"), free and clear of all Interests (as defined below);

27
28 ² For the avoidance of doubt, the Collateral shall not include any assets that are not owned
by the Debtor.

1 (k) approving the Debtor's lease of the Premises (as defined in the Lease) pursuant to
2 the Lease, by and between the Debtor, as landlord, and AH Tulare, as tenant (substantially in the
3 form attached hereto as Exhibit D and as it may be amended, modified or supplemented in
4 accordance with the terms hereof and thereof, the "Lease");

5 (l) establishing certain notice procedures for determining cure amounts for executory
6 contracts and unexpired leases to be assumed and assigned in connection with the Lease and/or
7 the APA and authorizing the assumption and assignment of certain executory contracts and
8 unexpired leases (the "Assigned Contracts");

9 (m) authorizing the Debtor's entry into the Interim Management Services Agreement,
10 by and between the Debtor and AH Tulare, as manager (substantially in the form attached hereto
11 as Exhibit E and as it may be amended, modified or supplemented in accordance with the terms
12 hereof and thereof, the "Interim MSA" and, together with the Loan Documents, the APA and
13 the Lease, the "Transaction Documents"); and

14 (n) granting related relief.

15 The Court having reviewed the Motion; and the Court having jurisdiction over this matter
16 under 28 U.S.C. §§ 157 and 1334; and the Court having found that this is a core proceeding
17 pursuant to 28 U.S.C. § 157(b)(2) and that this Court may enter a final order consistent with
18 Article III of the United States Constitution; and the Court having found that venue of this
19 proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and
20 the Court having determined that the relief requested in the Motion is, on the terms of this Order,
21 fair and reasonable and is essential to preserve the value of the Debtor's assets; and the hearing
22 on the Motion having been held on August 2, 2018 (the "Interim Hearing"); and it appears that
23 the interim relief requested in the Motion is, on the terms of this Order, necessary to avoid
24 immediate and irreparable harm to the Debtor pending the Final Hearing; and it appearing that
25 proper and adequate notice of the Motion has been given and that no other or further notice is
26 necessary; and the Court having waived the notice requirements provided for by Federal Rule of
27
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1 Bankruptcy Procedure 6004(h); and upon the record herein; and after due deliberation thereon;
2 and good and sufficient cause appearing therefor, **IT IS HEREBY FOUND³**:

3 A. Petition Date. On September 30, 2017 (the "Petition Date"), the Debtor filed a
4 voluntary petition with this Court for relief under chapter 9 of the Bankruptcy Code (the
5 "Chapter 9 Case").

6 B. Jurisdiction and Venue. This Court has core jurisdiction over the Chapter 9 Case,
7 the parties, and the Debtor's property. Venue for the Chapter 9 Case is proper before this Court.

8 C. Notice. Proper notice under the circumstances has been given by the Debtor of the
9 Motion and the Interim Hearing. Actual written notice of the Interim Hearing, the APA, the
10 Lease, the Interim MSA and the assumption, assignment and/or transfer of the Assigned
11 Contracts, and a reasonable opportunity to object or be heard with respect thereto and to the
12 entry of this Order, has been afforded to all known interested persons and entities entitled to
13 receive such notice, including, but not limited to (i) the Office of the United States Trustee, (ii)
14 all entities (or counsel therefore) known to have asserted any lien, charge, claim or encumbrance
15 on the Collateral, the Acquired Assets⁴ (as defined in the APA), the Premises or any other
16 property of the Debtor, (iii) all federal, state and local regulatory or taxing authorities which are
17 reasonably ascertainable by the Debtor to have a known interest in the Acquired Assets or the
18 Premises; (iv) known non-debtor counterparties to any unexpired leases or executory contracts
19 that could potentially be assumed and assigned to Buyer; (v) those parties that requested notice
20 pursuant to Bankruptcy Rule 2002; (vi) Wilmington Trust, N.A., as indenture trustee and paying
21 agent for the Debtor's revenue bonds and as paying agent for the Debtor's general obligation
22 bonds (in such roles, the "Trustee/Paying Agent")⁵; (vii) the California Department of Public

23
24 ³ Findings of facts shall be construed as conclusions of law, and conclusions of law shall
be construed as findings of fact, pursuant to Bankruptcy Rule 7052.

25 ⁴ For the avoidance of doubt, the Acquired Assets shall not include any assets that are not
owned by the Debtor.

26 ⁵ The Debtor's bonds include (i) the Tulare Local Health Care District (Tulare County,
27 California) Refunding Revenue Bonds, Series 2007 (the "Revenue Bonds"), (ii) the Tulare
Local Health Care District (Tulare County, California) General Obligation Bonds, Election of
28 2005, Series A (2007) (the "Series A General Obligation Bonds"), and (iii) the Tulare Local
Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005,

1 Health; and (viii) the Debtor's twenty largest unsecured creditors (collectively, the "Notice
2 Parties"). As evidenced by the affidavits of service filed with this Court: (i) due, proper,
3 timely, adequate and sufficient notice of the Motion, the Interim Hearing, the assumption and
4 assignment of the Assigned Contracts, the Lease, the Interim MSA, and the Sale has been
5 provided to all parties-in-interest; (ii) such notice was, and is, good, sufficient and appropriate
6 under the circumstances of this Chapter 9 Case, provided a fair and reasonable opportunity for
7 parties-in-interest to object, and to be heard, with respect thereto, and was provided in
8 accordance with Bankruptcy Code sections 102(1), 105 and 365, Rules 2002, 6004, 6006, 9006,
9 9007 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and
10 the applicable Local Rules of Practice for the United States Bankruptcy Court, Eastern District of
11 California (the "Local Rules"); and (iii) no other or further notice with respect to such matters is
12 necessary or shall be required.

13 D. Findings Regarding the DIP Facility.

14 1. Purpose and Necessity of Financing. The Debtor requires the financing described
15 in the Motion to, among other things, finance costs incurred by the Debtor in connection with its
16 efforts to seek reinstatement of its suspended general acute care hospital license with the
17 California Department of Public Health and to reopen the Debtor's acute care general hospital
18 located in Tulare, California, heretofore known as Tulare Regional Medical Center (the
19 "Hospital") without which the Debtor may suffer immediate and irreparable harm. The Debtor
20 is unable to obtain adequate unsecured credit allowable as an administrative expense under
21 Bankruptcy Code section 503, or other financing under Bankruptcy Code sections 364(c) or (d),
22 on equal or more favorable terms than those set forth herein based on the totality of the
23 circumstances. The borrowing, on the terms of this Order, is in the best interests of the Debtor
24 and its creditors under the circumstances.

25 2. Good Cause. The terms of the Loan Documents are fair and reasonable under the
26 circumstances and reflect the Debtor's exercise of prudent business judgment. The ability of the

27 _____
28 Series B-1 (2009) and Series B-2 (2009) (collectively with the "Series A General Obligation
Bonds"), the "General Obligation Bonds").

1 Debtor to obtain sufficient working capital and liquidity under this Interim Order is vital to the
2 Debtor, its creditors, and in particular, to the ability of the Debtor to preserve the Hospital and
3 restructure its indebtedness under the Bankruptcy Code. The Debtor may be immediately and
4 irreparably harmed if this Interim Order is not entered. Good cause has, therefore, been shown
5 for the relief sought in the Motion.

6 3. Good Faith. The DIP Facility has been negotiated by and among the Debtor and
7 the Lender at arm's-length and in good faith as that term is used in Bankruptcy Code section
8 364(e) and in express reliance upon the protections offered by Bankruptcy Code section 364(e).
9 Subject to the terms of this Interim Order, the DIP Obligations, the DIP Liens and the DIP
10 Superpriority Claims (as defined below) shall be entitled to the full protection of Bankruptcy
11 Code section 364(e) in the event that this Interim Order or any provision hereof is vacated,
12 reversed, or modified on appeal or otherwise, and any liens or claims granted to the Lender
13 hereunder arising prior to the effective date of any such vacatur, reversal or modification of this
14 Interim Order shall be governed in all respects by the original provisions of this Interim Order,
15 including entitlement to all rights, remedies, privileges and benefits granted herein. The terms of
16 the DIP Facility are fair and reasonable, reflect the Debtor's exercise of prudent business
17 judgment consistent with its fiduciary duties, and are supported by reasonably equivalent value
18 and fair consideration.

19 4. Lender Claims. As of the date hereof, no undisclosed claims of the Debtor exist
20 against the Lender.

21 E. Findings Regarding the Interim MSA, Lease and APA.

22 1. Assignment and Assumption Notice. The Debtor has served notice (the
23 "Assumption and Assignment Notice") upon all of the non-debtor counterparties to the
24 Assigned Contracts (the "Contract Counterparties" and each a "Contract Counterparty")
25 setting forth: (i) the contract(s) and/or lease(s) that may be assumed by the Debtor and assigned
26 to the Buyer; (ii) the name and address of the Contract Counterparty thereto; (iii) notice of the
27 proposed effective date of the assignment (subject to the right of the Debtor and/or the Buyer to
28 withdraw such request for assumption and assignment of the Assigned Contract(s) prior to the

1 Closing (as defined in the APA); (iv) the amount, if any, determined by the Debtor to be
2 necessary to be paid to cure and compensate for any existing default in accordance with
3 Bankruptcy Code sections 365(b) and 365(f)(2) (the "Cure Amount"); and (v) the deadlines by
4 which any such Contract Counterparty must file an objection to the proposed assumption and
5 assignment of any Assigned Contract. The service of such Assumption and Assignment Notice
6 (i) was good, sufficient and appropriate under the circumstances of this Chapter 9 Case; (ii)
7 provides such counterparties with a full and fair opportunity to object to such assumption,
8 assignment, or transfer and to the proposed Cure Amount set forth in the Assumption and
9 Assignment Notice; and (iii) was in compliance with applicable provisions of the Bankruptcy
10 Rules and Local Rules. Accordingly, no other or further notice need be given in connection with
11 such assumption, assignment, or transfer or with respect to Cure Amounts.

12 2. Business Judgment. The Debtor has demonstrated good, sufficient and sound
13 business purposes and justifications for, and compelling circumstances to promptly consummate,
14 the Sale, the Lease and other transactions contemplated by the APA, the Lease and the Interim
15 MSA, including, without limitation, the assumption, assignment, and/or transfer of the Assigned
16 Contracts (collectively, the "Transactions") pursuant to Bankruptcy Code sections 105 and 365,
17 prior to and outside of a plan of adjustment, and such action is an appropriate exercise of the
18 Debtor's business judgment and in the best interests of the Debtor, its estate, and its creditors.
19 Such business reasons include, but are not limited to, the facts that: (i) there is substantial risk of
20 depreciation of the value of the Acquired Assets if the Sale is not consummated promptly; (ii) the
21 APA constitutes the highest or otherwise best offer for the Acquired Assets; (iii) the APA and
22 the Lease will present the best opportunity to realize the value of the Debtor on a going concern
23 basis and to avoid decline and devaluation of the Hospital; and (iv) unless the Sale and the Lease
24 are approved expeditiously so that they may be included in the Electorate Approval process (as
25 defined in the APA), potential creditor recoveries may be substantially diminished. Given the
26 circumstances of the Chapter 9 Case and the adequacy and fair value of the Purchase Price (as
27 defined in the APA) under the APA, the proposed transfer of the Acquired Assets to the Buyer
28 constitutes a reasonable and sound exercise of the Debtor's business judgment, is in the best

1 interests of the Debtor, its Estate, and its creditors, and should be approved. The consummation
2 of the Transactions is legal, valid and properly authorized under all applicable provisions of the
3 Bankruptcy Code, including, without limitation, Bankruptcy Code sections 105 and 365, and all
4 of the applicable requirements of such sections have been complied with in respect of the
5 Transactions.

6 3. Good Faith of the Buyer/Tenant. The Buyer is not an insider (as that term is
7 defined in Bankruptcy Code section 101(31)) of the Debtor. The Buyer is purchasing the
8 Acquired Assets and entering into the Lease in good faith, and it is a good faith purchaser, and is
9 therefore entitled to, and granted pursuant to paragraph 35 below, the full rights, benefits,
10 privileges, and protections of this Order and the Bankruptcy Code, and has otherwise proceeded
11 in good faith in all respects in connection with the Transactions in that, *inter alia*: (i) the Buyer
12 recognized that the Debtor was free to deal with any other party interested in acquiring the
13 Acquired Assets and entering into the Lease; and (ii) the negotiation and execution of the APA
14 and the Transaction Documents were at arms' length and in good faith. Neither the Debtor or the
15 Buyer, or any of their respective representatives, has engaged in any conduct that would cause or
16 permit the APA, the Lease, or the Interim MSA, or the consummation of the Transactions, to be
17 avoidable or avoided, or for costs or damages to be imposed or has acted in bad faith or in any
18 improper or collusive manner with any person in connection therewith.

19 4. Highest and Best Offer. The APA and the Lease constitute the highest and best
20 offer for the purchase of the Acquired Assets and the lease of the Premises, respectively, and will
21 provide a greater recover for the Debtor's estate than would be provided by any other available
22 alternatives, and will help facilitate the reopening of the Hospital for the benefit of the Tulare
23 community. The Debtor's determination that the APA and the Lease constitute the highest and
24 best offer for the Acquired Assets and the Premises lease constitutes a valid and sound exercise
25 of the Debtor's business judgment.

26 5. No Fraudulent Transfer/Not a Successor. The APA, the Lease and the Interim
27 MSA were not entered into, and the Transactions are not being consummated, for the purpose of
28 hindering, delaying or defrauding creditors of the Debtor under applicable Law (as defined in the

1 APA), and none of the parties to the APA, the Lease or the Interim MSA are consummating the
2 Transactions with any fraudulent or otherwise improper purpose. The Purchase Price for the
3 Acquired Assets constitutes (i) reasonably equivalent value under the Bankruptcy Code and the
4 Uniform Fraudulent Transfer Act, (ii) fair consideration under the Uniform Fraudulent
5 Conveyance Act and (iii) reasonably equivalent value, fair consideration, and fair value under
6 any other applicable Laws of the United States, any state, territory or possession or the District of
7 Columbia. Except as expressly set forth in the APA with respect to the Assumed Liabilities (as
8 defined in the APA), the Buyer shall have no liability, responsibility, or obligations of any kind
9 or nature whatsoever for any Interest (as defined below) of or against the Debtor, or otherwise
10 related to the Acquired Assets, by reason of the transfer of the Acquired Assets to the Buyer.
11 The Buyer shall not be deemed, as a result of any action taken in connection with the
12 Transactions, to: (1) be a successor (or other such similarly situated party) to the Debtor (other
13 than with respect to the Assumed Liabilities as expressly stated in the APA); or (2) have, *de facto*
14 or otherwise, merged or consolidated with or into the Debtor. The Buyer is not acquiring or
15 assuming any Interest, except as expressly set forth in the APA with respect to the Assumed
16 Liabilities.

17 6. Validity of Transfer. Subject to the entry of this Order and, with respect to the
18 Lease and the APA, Electorate Approval, the Debtor has full power and authority (i) to perform
19 all of its obligations under the APA, the Lease and the Interim MSA, and (ii) to consummate the
20 Transactions. The APA, the Lease and the Interim MSA, and the Transactions contemplated
21 thereby, have been duly and validly authorized by all necessary action, subject, with respect to
22 the Lease and the APA, to Electorate Approval. No further consents or approvals, other than the
23 Electorate Approval with respect to the Lease and the APA, are required for the Debtor to
24 consummate the Transactions or otherwise perform its obligations under the APA, the Lease or
25 the Interim MSA, except in each case as otherwise expressly set forth in such documents. As of
26 the Closing, the transfer of the Acquired Assets to the Buyer, including, without limitation, the
27 assumption, assignment and transfer of the Assigned Contracts, will be a legal, valid, and
28 effective transfer thereof, and vests the Buyer with all right, title, and interest of the Debtor in

1 and to the Acquired Assets, free and clear of all Interests accruing or arising any time prior to the
2 Closing, except as expressly set forth in the APA with respect to the Assumed Liabilities or
3 Permitted Encumbrances (as defined in the APA).

4 7. Sale to Be Free and Clear of Interests. The Buyer would not have entered into the
5 APA and would not consummate the transactions contemplated thereby if the Sale of the
6 Acquired Assets, including the assumption, assignment and transfer of the Assigned Contracts,
7 to the Buyer were not free and clear of all Interests of any kind or nature whatsoever (except as
8 expressly set forth in the APA with respect to the Permitted Encumbrances and Assumed
9 Liabilities), or if the Buyer, any of its Affiliates (as defined in the APA) or subsidiaries, or any of
10 their respective representatives, would, or in the future could, be liable for any of such Interests
11 (except as expressly set forth in the APA with respect to the Permitted Encumbrances and
12 Assumed Liabilities). The Debtor may sell or otherwise transfer the Acquired Assets free and
13 clear of all Interests. With respect to the Revenue Bonds and General Obligation Bonds, the
14 Debtor is providing the Bond Treatment set forth in this Order below to provide the
15 Trustee/Paying Agent adequate protection for its interests in the Debtor's assets in the context of
16 the Transactions. Those holders of Interests against the Debtor, its Estate or any of the Acquired
17 Assets who did not object, whether formally or informally, or who withdrew their objections, to
18 the Sale or the Motion are deemed to have consented thereto. Those holders of such Interests
19 who did object, whether formally or informally, are adequately protected by having their
20 Interests, if any, attach to the proceeds of the Sale ultimately attributable to the Acquired Assets
21 in which such creditor alleges or asserts an Interest, in the same order of priority, with the same
22 validity, force and effect, that such creditor had immediately prior to consummation of the Sale,
23 subject to any claims and defenses the Debtor and the Estate may possess with respect thereto.
24 As used in this Order, the term "Interest" includes, in addition to the types of claims described
25 below, all of the following, in each case to the extent against or with respect to the Debtor or in,
26 on, or against or with respect to any of the Acquired Assets: liens (as defined in Bankruptcy
27 Code section 101(37), and whether consensual, statutory, possessory, judicial or otherwise),
28 claims (as defined in Bankruptcy Code section 101(5)), debts (as defined in Bankruptcy Code

1 section 101(12)), encumbrances, obligations, liabilities, demands, guarantees, actions, suits,
2 defenses, deposits, credits, allowances, options, rights, restrictions, limitations, contractual
3 commitments, rights of first refusal, rights of setoff or recoupment, or interests of any kind or
4 nature whatsoever, whether known or unknown, legal or equitable, matured or unmatured,
5 contingent or noncontingent, liquidated or unliquidated, asserted or unasserted, whether arising
6 prior to or subsequent to the commencement of this Chapter 9 Case, whether imposed by
7 agreement, understanding, Law, equity or otherwise, including, but not limited to, (i) Interests
8 that purport to give to any person a right or option to effect a setoff against or any forfeiture,
9 modification or termination of the Debtor's interests in the Acquired Assets, or any similar
10 rights; (ii) Interests arising under all mortgages, deeds of trust, security interests, conditional sale
11 or other title retention agreements, pledges, liens, judgments, demands, encumbrances, rights of
12 first refusal or charges of any kind or nature, (iii) Interests that are or constitute, or that arise in
13 connection with or with respect to, any Excluded Liabilities (as defined in the APA); (iv)
14 Interests that arise from or in connection with any bulk sales or similar law, and (v) Interests
15 arising under or in connection with any acts, or failures to act, of any of the Debtor or any of the
16 Debtor's Affiliates, or subsidiaries, or any of their respective representatives, including, but not
17 limited to, Interests arising under any doctrines of successor, transferee, or vicarious liability,
18 violation of any applicable securities laws or regulations, breach of fiduciary duty, or aiding or
19 abetting breach of fiduciary duty, or any similar theories under applicable Law or otherwise.

20 8. Except as expressly set forth in the APA with respect to the Assumed Liabilities or
21 Permitted Encumbrances, and without limiting the nature or scope of paragraph E.7. above, the
22 transfer of the Acquired Assets, including the assumption, assignment and/or transfer of the
23 Assigned Contracts, to the Buyer will not subject the Buyer or its Affiliates or subsidiaries, or
24 any of their respective representatives to, or subject any Acquired Asset to or provide recourse
25 for, any liability or encumbrance whatsoever with respect to the operation or condition of any of
26 the Acquired Assets prior to the Closing or with respect to any facts, acts, actions, omissions,
27 circumstances or conditions existing, occurring or accruing with respect thereto prior to the
28 Closing, including, without limitation, any liability or encumbrance arising from any of the

1 following: (i) any employment or labor agreements, consulting agreements, severance
2 arrangements, change in control agreements or other similar agreements to which the Debtor is
3 or was a party, (ii) any pension, welfare, compensation or other employee benefit plans,
4 agreements, practices, and programs, including without limitation, any pension plan of the
5 Debtor, (iii) the cessation of the Debtor's operations, dismissal of employees, or termination of
6 employment or labor agreements or pension, welfare, compensation or other employee benefit
7 plans, agreements, practices and programs and any obligations with respect thereto that arise
8 from the Employee Retirement Income Security Act of 1974, the Fair Labor Standard Act, Title
9 VII of the Civil rights Act of 1964, the Age Discrimination and Employment Act of 1967, the
10 Americans with Disabilities Act of 1990, the Federal Rehabilitation Act of 1973, the National
11 Labor Relations Act, the Consolidated Omnibus Budget Reconciliation Act of 1985 or the
12 Worker Adjustment and Retraining Notification Act, (iv) workmen's compensation,
13 occupational disease or unemployment or temporary disability insurance claims, (v) environment
14 liabilities, debts, claims or obligations which may be asserted on any basis, including, without
15 limitation, under the Comprehensive Environmental Response, Compensation and Liability Act
16 or any Environmental Laws (as defined in the APA), (vi) products liability or warranties,
17 (vii) any bulk sales or similar law, (viii) any litigation by or against the Debtor and (ix) the Laws
18 of the United States, any state, territory or possession thereof, or the District of Columbia, based,
19 in whole or in part, directly or indirectly, in any theory of law or equity, including, without
20 limitation, any theory of antitrust, products liability, or successor, vicarious or transferee
21 liability. For the avoidance of doubt, the liabilities and encumbrances set forth in this paragraph
22 are included in the defined term "Interests" for all purposes of this Order.

23 9. Assumption, Assignment and/or Transfer of the Assigned Contracts. The
24 assumption, assignment and/or transfer of the Assigned Contracts to the Buyer pursuant to the
25 terms of this Order is integral to the APA and is in the best interests of the Debtor and its Estate,
26 creditors and other parties in interest, and represents the reasonable exercise of sound and
27 prudent business judgment by the Debtor. To the extent necessary or required by applicable
28 Law, the Debtor has or will have as of the Closing: (i) cured, or provided adequate assurance of

1 cure, of any default existing prior to the Closing with respect to the Assigned Contracts, within
2 the meaning of Bankruptcy Code sections 365(b)(1)(A) and 365(f)(2)(A), and (ii) provided
3 compensation, or adequate assurance of compensation, to any party for any actual pecuniary loss
4 to such party resulting from such default, within the meaning of Bankruptcy Code section
5 365(b)(1)(B). The respective amounts included in the Debtor's Assumption and Assignment
6 Notice (or any supplemental Assumption and Assignment Notice(s)) are the sole amounts
7 necessary under Bankruptcy Code sections 365(b)(1)(A) and 365(f)(2)(A) to cure all such
8 monetary defaults and pay all actual pecuniary losses under the Assigned Contracts. The
9 promise of the Buyer to perform the obligations first arising under the Assigned Contracts after
10 their assumption and assignment to the Buyer constitutes adequate assurance of future
11 performance within the meaning of Bankruptcy Code sections 365(b)(1)(C) and 365(f)(2)(B) to
12 the extent that any such assurance is required and not waived by the counterparties to such
13 Assigned Contracts. A continued hearing will be held on November 29, 2018 at 9:30 a.m.
14 (Pacific time) at the United States Bankruptcy Court for the Eastern District of California to
15 address timely-filed objections to the proposed Cure Amounts (as contained in the Assumption
16 and Assignment Notice), ("**Cure Amount Objections**"). The Debtor shall file its response(s) to
17 Cure Amount Objections not later than 14 days prior to the continued hearing thereon. Any
18 objections to the foregoing, other than Cure Amount Objections, related to or in connection with
19 the assumption, assignment or transfer of any of the Assigned Contracts to the Buyer are hereby
20 overruled on the merits. Those non-Debtor parties to Assigned Contracts who did not object to
21 the assumption, assignment or transfer of their applicable Assigned Contract, or to their
22 applicable Cure Amount, are deemed to have consented thereto for all purposes of this Order.
23 The Buyer shall maintain the right to modify the list of the Assigned Contracts, after the date of
24 this Order and up to the Closing. Such modification rights include, but are not limited to, the
25 right of the Buyer to designate a Contract for assumption by the Debtor and assignment to the
26 Buyer, as well as for rejection by the Debtor. The Buyer would not have agreed to the
27 Transactions without such modification rights. The notice and opportunity to object provided to
28 Contract Counterparties to such Assigned Contracts and to other parties in interest fairly and

1 reasonably protects any rights that such counterparties and other parties in interest may have with
2 respect to such Contracts.

3 **F. Bond Treatment**

4 1. Adequate Protection. In connection with the financing and other Transactions
5 described in the Motion, the Debtor is providing adequate protection with respect to the Revenue
6 Bonds and General Obligation Bonds on the terms described more fully below (the "Bond
7 Treatment").

8 2. Good Cause. The Bond Treatment is fair and reasonable under the circumstances
9 and reflect the Debtor's exercise of prudent business judgment. Good cause has, therefore, been
10 shown for the Bond Treatment.

11 3. Good Faith. The Bond Treatment has been negotiated by and among the Debtor
12 and the Trustee/Paying Agent at arm's-length and in good faith.

13 **G. Immediate Entry of Order.** This Order constitutes a final order within the meaning
14 of 28 U.S.C. § 158(a). The Debtor has requested immediate entry of this Order.
15 Notwithstanding Bankruptcy Rules 6004(h) and 6006(d), and to the extent necessary under
16 Bankruptcy Rule 9014 and Rule 54(b) of the Federal Rules of Civil Procedure, as made
17 applicable by Bankruptcy Rule 7054, this Court expressly finds that there is no just reason for
18 delay in the implementation of this Order and expressly directs entry of judgment as set forth
19 herein. The permission granted herein to provide the Bond Treatment and to enter into the
20 Transactions and the DIP Facility and to obtain funds thereunder up to the Interim Loan Amount
21 (as defined below) during the Interim Period is necessary to avoid immediate and irreparable
22 harm to the Debtor. Based upon the foregoing findings, acknowledgements, and conclusions,
23 and upon the record made before this Court at the Interim Hearing, and good and sufficient cause
24 appearing therefor; **IT IS HEREBY ORDERED:**

25 1. Disposition. The Motion is granted and the Transactions, Bond Treatment and the
26 DIP Facility contemplated thereby and by the Transaction Documents are approved, in each case
27 subject to the terms set forth herein. All objections to the Motion and/or entry of this Order, to
28 the extent not withdrawn or resolved, are hereby overruled.

1 2. Binding Obligations. Upon entry of this Order, this Order, the Transaction
2 Documents and the Bond Treatment shall constitute legal, valid, and binding obligations of the
3 Debtor, enforceable against the Debtor in accordance with their terms. This Order does not in
4 any way modify the terms of the General Obligation Bonds, including the Series A General
5 Obligation Bonds.

6 A. The Loan Documents

7 3. Authorization. The Debtor is hereby authorized to obtain immediately the DIP
8 Loans during the Interim Period up to an aggregate principal amount of \$1,000,000 (the
9 "Interim Loan Amount"), pursuant to the terms of this Interim Order. Promptly upon entry of
10 this Interim Order and provided that the Debtor is not in default under the terms of this Interim
11 Order, the Debtor is authorized to borrow the DIP Loans as provided herein. The Debtor is
12 hereby expressly authorized and empowered, to execute and deliver and, on such execution and
13 delivery, directed to perform under the Loan Documents, including the DIP Credit Agreement, in
14 accordance with the terms of the Loan Documents and this Interim Order.

15 4. Postpetition Credit Obligation. Notwithstanding anything in this Interim Order to
16 the contrary, the Lender's obligation to make the DIP Loans in accordance with the Loan
17 Documents up to the Interim Loan Amount shall automatically terminate without any further
18 action by this Court upon the earliest to occur of (the "Termination Date"): (i) November 6,
19 2018 (the "Outside Date"); (ii) the dismissal of the Chapter 9 Case, and (iii) the acceleration of
20 the DIP Loans following an Event of Default (as defined below).

21 5. Permitted Uses and Approved Budget. In accordance with the terms of this
22 Interim Order and the Loan Documents, the proceeds of the DIP Loans shall be used solely for
23 the purposes permitted under the Loan Documents, this Interim Order and in accordance with the
24 Approved Budget. Except as otherwise provided herein, unless otherwise authorized by this
25 Court or agreed upon by the Lender, the Debtor may only use the proceeds of the DIP Loans
26 during the Interim Period and pursuant to and solely in accordance with the Approved Budget in
27 all respects; *provided, however*, that the Debtor shall be permitted to (i) carry over any amounts
28 not expended for a particular line item in any week to succeeding weeks, (ii) expend up to 15%

1 more than the amounts set forth in a particular line item for a specific week in such week so long
2 as the aggregate expenditures during the period covered by the Approved Budget do not exceed
3 the total shown on the Approved Budget by more than 15% and (iii) pay amounts incurred from
4 and after the Petition Date, in addition to or for categories not listed in the Approved Budget with
5 the prior written consent of the Lender. On Wednesday of every second week, the Debtor shall
6 provide the Lender with an updated rolling 13-week cash flow statement which shall include a
7 variance report comparing actual cash flow results for all applicable prior periods to the
8 forecasted cash flow results for such periods, and a statement of any weekly or cumulative
9 variances in any line item for receipts or disbursements. Any proposed amendments to the
10 Approved Budget shall not become effective until such amendments have been approved by the
11 Lender in writing, and absent the written consent of the Lender, the existing Approved Budget
12 shall remain in effect without any modifications or amendments. The consent of the Lender to
13 the Approved Budget shall not be construed as consent to the use of any proceeds of the DIP
14 Loans after the occurrence of an Event of Default, regardless of whether the aggregate funds
15 shown on the Approved Budget have been expended.

16 6. Interest. The interest rate on amounts drawn under the DIP Loan shall be equal to
17 the Prime Rate (as defined in the DIP Credit Agreement) minus 50 basis points (absent an Event
18 of Default), compounded annually and calculated on a 365/366-day year, actual days elapsed
19 basis. Interest shall accrue and be due and payable in cash each Repayment Date (as defined in
20 the DIP Credit Agreement). The default rate shall be two percent (2.00%) over and above the
21 non-default rate.

22 7. Mandatory Prepayment. Promptly after, and in no event more than one (1)
23 Business Day after, the closing of the APA, the Borrower shall make, or direct the Buyer to
24 make on the Borrower's behalf, a prepayment of the DIP Loans in an amount equal to 100% of
25 the Purchase Price thereunder; provided, that such Purchase Price shall first be applied to prepay
26 all interest accrued and unpaid as of the date of such prepayment, and then any remaining
27 amount shall then be applied to prepay all or a portion of the Outstanding Loan Amount (as
28 defined in the DIP Credit Agreement). In the event that the Electorate Approval is received and

1 the Lease is terminated or expires prior to the Maturity Date (as defined in the DIP Credit
2 Agreement), repayment of the DIP Loans shall be made in accordance with Section 2.1(e)(ii) of
3 the Credit Agreement.

4 8. Conditions Precedent. Prior to the funding of any draw under the DIP Credit
5 Agreement, the conditions set forth in Section 4.1 or Section 4.2 of the DIP Credit Agreement, as
6 applicable, must be met.

7 9. Events of Default. The following constitute an event of default (collectively, the
8 "Events of Default") unless waived by the Lender:

9 a. the occurrence of any "Event of Default" (as defined in the DIP Credit
10 Agreement) under the Loan Documents, that is not waived by the Lender, in accordance with the
11 terms of the Loan Documents;

12 b. the proposal of any plan of adjustment that does not provide for the
13 payment in full in cash of the DIP Loan or if a plan of adjustment modifies any of Lender's
14 rights except in a manner acceptable to Lender;

15 c. the incurrence or payment by the Debtor of expenses other than as
16 enumerated in the Approved Budget;

17 d. reversal, vacatur, or modification (without consent of the Lender) of this
18 Interim Order;

19 e. the entry by the Court of an order, or the filing by the Debtor of a motion
20 which seeks entry of an order, (i) dismissing the Chapter 9 Case, or (ii) appointing a trustee or
21 examiner with the expanded powers to operate the Debtor's business in the Chapter 9 Case;

22 f. the Debtor files or supports a motion challenging the validity, extent or
23 priority of any of the DIP Obligations or the DIP Liens;

24 g. except as expressly allowed in this Interim Order or the Final Order, the
25 entry by the Court of an order granting any lien on, or security interest in, any Collateral in favor
26 of any party other than the Lender, or granting an administrative claim payable by the Debtor to
27 any party other than the Lender that is senior to, or pari passu with, the DIP Superpriority
28 Claims, or the DIP Obligations, without the express written consent of the Lender;

1 h. any material breach by the Debtor of any obligations, representations,
2 warranties or covenants in this Interim Order; and

3 i. entry of an order granting relief from the automatic stay to permit
4 foreclosure on any Collateral in which the Lender would have an interest.

5 10. Remedies. Upon the occurrence of an Event of Default, Lender shall have no
6 further obligation to advance any further monies under the DIP Facility and shall have the right
7 to accelerate the DIP Facility without further order of the Court. The Debtor shall immediately
8 provide notice to the Lender of the occurrence of any Event of Default, at which time the
9 Debtor's ability to use the proceeds of the DIP Loans shall automatically terminate subject to the
10 provisions below. Upon the occurrence of an Event of Default and following the giving of not
11 less than five (5) business days' (the "Notice Period") advance written notice to the Debtor and
12 the Trustee/Paying Agent (the "Enforcement Notice"), unless the Court orders otherwise, the
13 Lender may exercise any remedies available to it under this Interim Order, the Loan Documents
14 and applicable non-bankruptcy law. Absent order of the Court to the contrary, the automatic stay
15 pursuant to Bankruptcy Code section 362 shall be automatically terminated at the end of the
16 Notice Period, without further notice or order of the Court, unless the Lender elects otherwise in
17 a written notice to the Debtor, and the Lender shall be permitted to exercise all rights and
18 remedies, including with respect to the Collateral set forth in this Interim Order, and as otherwise
19 available at law without further order or application or motion to the Court, and without
20 restriction or restraint by any stay under Bankruptcy Code sections 362 or 105 or otherwise. The
21 delay or failure of the Lender to exercise rights and remedies under this Interim Order, the Loan
22 Documents or applicable law shall not constitute a waiver of their respective rights thereunder or
23 otherwise.

24 11. Limitation on Use of DIP Loans and the Collateral. No proceeds of the DIP
25 Loans or Collateral may be used: (i) to investigate, initiate, prosecute, join, or finance the
26 initiation or prosecution of any claim, counterclaim, action, suit, arbitration, proceeding,
27 application, motion, objection, defense, or other litigation of any type (A) against the Lender or
28 seeking relief that would impair the rights and remedies of the Lender under the Loan

1 Documents or this Interim Order; (B) invalidating, setting aside, avoiding, or subordinating, in
2 whole or in part, the DIP Obligations or the Lender's liens or security interests in the Collateral;
3 or (C) for monetary, injunctive, or other affirmative relief against the Lender or its liens on or
4 security interests in the Collateral, that would impair the ability of the Lender to assert or enforce
5 any lien, claim, right, or security interest or to realize or recover on the DIP Obligations; (ii) for
6 objecting to or challenging in any way the legality, validity, priority, perfection, or enforceability
7 of the claims, liens, or interests (including the DIP Liens) held by or on behalf of the Lender
8 related to the DIP Obligations; or (iii) for prosecuting an objection to, contesting in any manner,
9 or raising any defenses to, the validity, extent, amount, perfection, priority, or enforceability of
10 any of the DIP Liens or any other rights or interests of the Lender related to the DIP Obligations
11 or the DIP Liens.

12 12. Indemnity. The Debtor will indemnify the Lender and each of the Lender's
13 agents, representatives, employees, officers, directors, affiliates, attorneys and professionals and
14 hold them harmless from and against all reasonable costs, expenses (including fees,
15 disbursements and other charges of counsel) and liabilities arising out of or relating to any
16 litigation or other proceeding (regardless of whether the Lender is a party thereto) that relate to
17 the within transactions or any transactions related thereto, including the enforcement of any
18 rights of the Lender, to the extent finally determined by a court of competent jurisdiction to have
19 resulted primarily from the Debtor's negligence, gross negligence or willful misconduct.

20 13. Authority to Execute and Deliver Necessary Documents.

21 a. The automatic stay imposed by Bankruptcy Code section 362 is hereby
22 lifted or modified to the extent necessary and the Debtor is hereby authorized to perform all acts
23 (and to the extent such acts have already occurred, such acts are ratified) and to execute and
24 deliver all instruments and documents, and to pay all fees, that may be required or necessary for
25 the Debtor's performance of its obligations under this Interim Order, the DIP Credit Agreement
26 and the Loan Documents.

27 b. The Debtor is directed to enter into, execute and deliver to the Lender any
28 and all other documents, agreements and instruments to be executed and delivered pursuant to

1 this Interim Order, each as may be amended hereafter from time to time in accordance with the
2 terms of this Interim Order or otherwise reasonably requested by the Lender. The Debtor is
3 further authorized and directed to negotiate, prepare, enter into and deliver any UCC financing
4 statements, pledge and security agreements, encumbering all of the Collateral (defined below)
5 and securing all of the Debtor's obligations under the DIP Loans solely as set forth herein
6 including payment of the DIP Loans in cash, that are reasonably requested by the Lender.

7 c. The Lender is hereby authorized, but not required, to file or record
8 financing statements, intellectual property filings, mortgages, depository account control
9 agreements, notices of lien or similar instruments in order to validate and perfect the liens and
10 security interests granted hereunder. Whether or not either the Lender shall, in its sole
11 discretion, choose to file such financing statements, intellectual property filings, mortgages,
12 notices of lien or similar instruments, such liens and security interests shall be deemed valid,
13 perfected, allowed, enforceable, non-avoidable and not subject to challenge, dispute or
14 subordination as of the date of entry of this Interim Order. If the Lender determines to file or
15 execute any financing statements, agreements, notice of liens or similar instruments, the Debtor
16 shall cooperate and assist in any such execution and/or filings as reasonably requested by the
17 Lender, and the automatic stay shall be modified to allow such filings.

18 d. A certified copy of this Interim Order may, in the discretion of the Lender,
19 be filed with or recorded in filing or recording offices in addition to or in lieu of such financing
20 statements, mortgages, notices of lien or similar instruments, and all filing offices are hereby
21 authorized to accept such certified copy of this Interim Order for filing and recording; *provided*
22 that, notwithstanding the date of any such filing, the date of such perfection shall be the date of
23 entry of this Interim Order.

24 e. Any provision of any lease or other license, contract or other agreement
25 that requires (i) the consent or approval of one or more landlords or other parties or (ii) the
26 payment of any fees or obligations to any governmental entity, in order for the Debtor to pledge,
27 grant, sell, assign, or otherwise transfer any such leasehold interest, or the proceeds thereof, or
28 other collateral related thereto, has been satisfied on the terms of this Order or is otherwise

1 hereby deemed to be inconsistent with the applicable provisions of the Bankruptcy Code. Any
2 such provision shall have no force and effect with respect to the granting of DIP Liens on such
3 leasehold interest or the proceeds of any assignment and/or sale thereof by the Debtor in
4 accordance with the terms of this Interim Order.

5 f. The Debtor is hereby authorized and directed to (i) perform all of its
6 obligations under the DIP Credit Agreement, and such other agreements as may be required by
7 the DIP Facility to give effect to the terms of the financing provided for under the DIP Credit
8 Agreement, and (ii) perform all acts required under the Loan Documents.

9 g. All obligations under the DIP Credit Agreement and the Loan Documents
10 shall constitute valid and binding obligations of the Debtor, enforceable against the Debtor in
11 accordance with their terms, the terms of the DIP Credit Agreement and the Loan Documents,
12 and the terms of this Interim Order, and no obligation, payment, transfer or grant of a security
13 under the Loan Documents or this Interim Order shall be stayed, restrained, voidable or
14 recoverable under the Bankruptcy Code or under any applicable law (including without
15 limitation, under Bankruptcy Code sections 502(d) or 548 or under any applicable state Uniform
16 Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common
17 law).

18 14. Lender's Lien Priority.

19 a. To secure the DIP Loans, immediately upon entry of this Interim Order,
20 the Lender is hereby granted valid, enforceable, non-avoidable and fully perfected, liens on and
21 security interests in (collectively, all liens and security interests granted to the Lender pursuant to
22 this Interim Order and any Final Order, the "DIP Liens"), the following (i) pursuant to
23 Bankruptcy Code section 364(c)(3), a second priority security interest in and lien upon the
24 Evolutions Property (as defined in the DIP Credit Agreement), as further described in and
25 subject to the terms of the Mortgage (as defined in the DIP Credit Agreement), (ii) pursuant to
26 Bankruptcy Code section 364(c)(2), (A) a first priority security interest in and lien upon all
27 unencumbered Real Property Collateral (as defined in the DIP Credit Agreement), as further
28 described in and subject to the terms of the Mortgage, and (B) a first priority security interest in

1 and lien upon the Acquired Assets that are not subject to any Permitted Personal Property
2 Encumbrances; and (iii) pursuant to Bankruptcy Code section 364(c)(3), (A) a junior security
3 interest in and lien upon the Acquired Assets that are subject to a Permitted Personal Property
4 Encumbrance (as defined in the DIP Credit Agreement) subject solely to such Permitted Personal
5 Property Encumbrances, and (B) a junior security interest in and lien upon the Real Property
6 Collateral, other than the Evolutions Property, that is subject to a Permitted Real Property
7 Encumbrance (as defined in the DIP Credit Agreement) subject solely to such Permitted Real
8 Property Encumbrances (collectively, the "Collateral"). Other than as permitted in the Credit
9 Agreement as to the Evolutions Property or Permitted Personal Property Encumbrances, the DIP
10 Liens shall not at any time be made subject or subordinate to, or made *pari passu* with, any other
11 lien, security interest or claim not existing as of the Petition Date. For the avoidance of doubt,
12 Collateral shall not include the following, whether now existing or hereafter arising: tax accruals
13 or tax revenues of the Debtor, any subsidy the Debtor receives from the United States Treasury
14 under the federal Recovery Act in relation to any General Obligation Bonds, any funds held by
15 the Trustee/Paying Agent, any rights in the forgoing, or any proceeds thereof.

16 b. DIP Superpriority Claims. Pursuant to Bankruptcy Code section
17 364(c)(1), all of the DIP Obligations shall constitute allowed superpriority administrative
18 expense claims against the Debtor's estate (the "DIP Superpriority Claims") with priority over
19 any and all administrative expenses of the kind specified in Bankruptcy Code sections 503(b)
20 and 507(b), whether or not such expenses or claims may become secured by a judgment lien or
21 other non-consensual lien, levy or attachment. For the avoidance of doubt, the DIP Superpriority
22 Claim shall not extend to the following, whether now existing or hereafter arising: tax accruals or
23 tax revenues of the Debtor, any subsidy the Debtor receives from the United States Treasury
24 under the federal Recovery Act in relation to any General Obligation Bonds, any funds held by
25 the Trustee/Paying Agent, any rights in the forgoing, or any proceeds thereof.

26 c. The DIP Liens shall be and hereby are deemed fully perfected liens and
27 security interests, effective, binding and perfected upon the date of this Interim Order without the
28 necessity of execution, recordation of filings by the Debtor of mortgages, security agreements,

1 control agreements, pledge agreements, financing statements or other similar documents, or the
2 possession or control by the Lender of, or over, any Collateral, such that no additional steps need
3 be taken by the Lender to perfect such interests.

4 d. The Debtor will (i) maintain books, records and accounts to the extent and
5 as required by the Loan Documents and (ii) cooperate, confer with, and provide to the Lender all
6 such information reasonably requested by the Lender related to the Loan Documents.

7 15. Extensions of Credit. The Lender shall have no obligation to make any loan or
8 advance unless all of the conditions precedent to the making of such extension of credit under the
9 Loan Documents and this Interim Order have been satisfied in full or waived by the Lender in its
10 sole discretion.

11 16. Application of Repayment Proceeds. The Lender shall retain and apply all
12 collections on the DIP Loan, first to fees, costs and expenses owed under the DIP, then to
13 interest, and then to principal.

14 17. Payments Free and Clear. All payments or proceeds remitted to the Lender
15 pursuant to the provisions of this Interim Order, any Final Order or any other subsequent order of
16 the Court shall be irrevocable and indefeasible, received free and clear of any claim, charge,
17 assessment or other liability, including, without limitation, any such claim or charge arising out
18 of or based on, directly or indirectly, Bankruptcy Code sections 506(c) (whether asserted or
19 assessed by, through or on behalf of the Debtors) or 552(b).

20 18. Limitation on Charging Expenses Against Collateral. No expenses of
21 administration of the Chapter 9 Case or any future proceeding that may result therefrom shall be
22 charged against or recovered from the Collateral or the Lender pursuant to Bankruptcy Code
23 sections 105(a), 506(c) or 552(b) or any similar principle of law or equity, without the prior
24 written consent of the Lender, and no such consent shall be implied from any other action,
25 inaction, or acquiescence by the Lender.

26 19. Default Rate. Immediately upon the occurrence of an Event of Default, without
27 providing any prior notice thereof (A) the Lender, may charge interest at the default rate and (B)
28 the Lender shall have no further obligation to provide financing under the DIP Credit

1 Agreement, this Order or otherwise, and may, in its sole discretion, terminate all commitments
2 with respect to the DIP Loans.

3 20. Survival. Except as expressly provided in this Interim Order or any Final Order,
4 the DIP Liens, the DIP Superpriority Claims, the other administrative claims granted pursuant to
5 this Order and all other rights and remedies of the Lender granted by the provisions of this
6 Interim Order shall survive (i) the entry of an order dismissing the Chapter 9 Case, (ii) the entry
7 of an order approving the sale of any Collateral, or (iii) the entry of an order confirming a plan of
8 adjustment in the Chapter 9 Case. The terms and provisions of this Interim Order shall continue
9 in the Chapter 9 Case. The DIP Liens, the DIP Superpriority Claims, the other administrative
10 claims granted pursuant to this Interim Order and all other rights and remedies of the Lender
11 granted by the provisions of this Interim Order shall continue in full force and effect until all DIP
12 Obligations or adequate protection obligations, as applicable, are indefeasibly paid in full, in
13 cash.

14 21. Release. Each of the Debtor and the Debtor's estate, on its own behalf and on
15 behalf of each of their predecessors, their successors, and assigns (collectively, the "Releasers")
16 shall to the maximum extent permitted by applicable law, unconditionally, irrevocably and fully
17 forever release, remise, acquit, relinquish, irrevocably waive and discharge the Lender and each
18 of its former and current officers, employees, directors, agents, representatives, owners,
19 members, partners, financial advisors, legal advisors, shareholders, managers, consultants,
20 accountants, attorneys, affiliates, and predecessors in interest (collectively, the "Releases"), each
21 in their capacity as such, of and from any and all claims, demands, liabilities, responsibilities,
22 disputes, remedies, causes of action, indebtedness and obligations, rights, assertions, allegations,
23 actions, suits, controversies, proceedings, losses, damages, injuries, attorneys' fees, costs,
24 expenses, or judgments of every type, whether known, unknown, asserted, unasserted, suspected,
25 unsuspected, accrued, unaccrued, fixed, contingent, pending, or threatened including, without
26 limitation, all legal and equitable theories of recovery, arising under common law, statute or
27 regulation or by contract, of every nature and description that exist on the date hereof relating to
28 any of the Loan Documents or the transactions contemplated under such documents, including,

1 without limitation, (i) any so-called “lender liability” or equitable subordination claims or
2 defenses, (ii) any and all claims and causes of action arising under the Bankruptcy Code, and (iii)
3 any and all claims and causes of action regarding the validity, priority, extent, enforceability,
4 perfection or avoidability of the liens or claims of the Lender.

5 22. Limitation on Liability. By virtue of determining to make any loan under the DIP
6 Credit Agreement or in exercising any rights or remedies as and when permitted pursuant to this
7 Interim Order or the Loan Documents, the Lender shall not be deemed to be in control of the
8 operations of the Debtor or to be acting as a “responsible person” or “owner or operator” with
9 respect to the operation or management of the Debtor (as such terms, or any similar terms, are
10 used in the United States Comprehensive Environmental Response, Compensation and Liability
11 Act, 29 U.S.C. §§ 9601 et seq. as amended, or any similar federal or state statute). Furthermore,
12 nothing in this Interim Order or the Loan Documents shall in any way be construed or interpreted
13 to impose or allow the imposition upon the Lender of any liability for any claims arising from
14 the prepetition or postpetition activities of the Debtor.

15 23. Proofs of Claim. The Lender shall not be required to file a proof of claim in the
16 Chapter 9 Case in respect of the DIP Obligations.

17 24. Modifications of DIP Loans. The Debtor and the Lender are hereby authorized to
18 implement, in accordance with the terms of the Loan Documents, any non-material modifications
19 of the Loan Documents (other than this Interim Order or any Final Order), but without motion or
20 application to, order of or hearing before, this Court. Any material modification or amendment
21 to the Loan Documents shall only be permitted pursuant to an order of this Court, after being
22 submitted to this Court upon notice to any party required by the Bankruptcy Rules; *provided,*
23 *however,* that any forbearance from, or waiver of, (a) a breach by the Debtor of a covenant
24 representation or any other agreement or (b) a Default or an Event of Default, in each case under
25 the Loan Documents shall not require an order of this Court.

26 25. Insurance. At all times the Debtor shall maintain casualty and loss insurance
27 coverage for the Collateral on substantially the same basis as maintained prior to the Petition
28 Date.

1 26. Successors and Assigns. The Loan Documents and the provisions of this Interim
2 Order shall be binding upon the Debtor, the Lender and each of their respective successors and
3 assigns, and shall inure to the benefit of the Debtor, the Lender and each of their respective
4 successors and assigns.

5 27. Binding Nature of Agreement. This Interim Order and the Loan Documents shall
6 constitute legal, valid, and binding obligations of the Debtor, enforceable against the Debtor in
7 accordance with their terms. The rights, remedies, powers, privileges, liens, and priorities of the
8 Lender provided for in this Interim Order and in the Loan Documents shall not be modified,
9 altered or impaired in any manner by any subsequent order (including a confirmation order), by
10 any plan of adjustment or otherwise in the Chapter 9 Case or by the dismissal of the Chapter 9
11 Case until the DIP Obligations have first been paid in full in cash and completely satisfied and
12 the commitments terminated in accordance with this Interim Order and the DIP Loans.

13 28. Subsequent Reversal or Modification. If any or all of the provisions of this
14 Interim Order are hereafter reversed, modified, vacated or stayed, that action will not affect (i)
15 the validity of any obligation, indebtedness or liability incurred hereunder by the Debtor to the
16 Lender prior to the date of receipt by the Lender of written notice of the effective date of such
17 action or (ii) the validity and enforceability of any lien, claim or priority authorized or created
18 under this Interim Order or pursuant to the Loan Documents. Notwithstanding any such reversal,
19 stay, modification or vacatur, any postpetition indebtedness, obligation or liability incurred by
20 the Debtor to the Lender prior to written notice to the Lender of the effective date of such action,
21 shall be governed in all respects by the original provisions of this Interim Order and the Loan
22 Documents, as applicable, and the Lender shall be entitled to all the rights, remedies, privileges,
23 and benefits granted herein and in the Loan Documents with respect to all such indebtedness,
24 obligations or liability.

25 29. Final Hearing. The Final Hearing to consider entry of the Final Order and final
26 approval of the DIP Facility is scheduled for August 7, 2018 at 1:30 p.m. (Pacific time) at the
27 United States Bankruptcy Court for the Eastern District of California. If no objections to the
28 relief sought in the Final Hearing are filed and served in accordance with this Interim Order, no

1 Final Hearing may be held, and a separate Final Order may be presented by the Debtor and
2 entered by this Court.

3 30. On or before August 3, 2018, the Debtor shall serve Adventist Health, California
4 Department of Public Health, all secured creditors and counsel, counsel for the Trustee/Paying
5 Agent, all persons having requested special notice, the twenty largest unsecured creditors, all
6 taxing authorities, the Debtor, and the U.S. Trustee's Office with notice of the entry of this
7 Interim Order and of the Final Hearing (the "**Final Hearing Notice**"). The Final Hearing Notice
8 shall state that any party in interest objecting to the entry of the proposed Final Order shall file
9 written objections with the Clerk of the Court at any time prior to the Final Hearing, which
10 objections shall be served so that the same are received on or before such date by: (a) counsel for
11 the Debtor, Walter Wilhelm Law Group, 205 East River Park Circle, Ste. 410, Fresno, CA
12 93720, facsimile: (559) 435-9868, Attention: Riley C. Walter; (b) counsel for Adventist Health,
13 Latham & Watkins LLP, 355 S. Grand Avenue, Suite 100, Los Angeles, CA 90071-1560,
14 facsimile: (213) 891-8763, Attention: Kimberly A. Posin; and (c) the Office of the United States
15 Trustee.

16 31. A copy of this Order shall be posted on the Debtor's website
17 (www.tularelocalhealthcaredistrict.org) by the close of business on August 3, 2018. An
18 electronic copy shall be available from Gable Alfano at galfano@W2LG.com.

19 **B. The Lease, Interim MSA and APA**

20 31. **Approval of APA, Interim MSA and Lease; Binding Nature.** The APA, Interim
21 MSA and the Lease, and all of the terms and conditions thereof, are hereby approved as set forth
22 herein. The consideration provided by the Buyer for the Acquired Assets under the APA is fair
23 and reasonable and shall be deemed for all purposes to constitute reasonably equivalent value,
24 fair value, and fair consideration under the Bankruptcy Code and any other applicable Law, and
25 the Transactions may not be avoided, or costs or damages imposed or awarded, under any
26 provision of the Bankruptcy Code. Pursuant to Bankruptcy Code sections 105 and 365, subject
27 to the Electorate Approval with respect to the Lease and the APA, the Debtor is authorized and
28 empowered to, and shall, take any and all actions necessary or appropriate to (a) consummate the

1 Sale, and the lease of the Premises pursuant to and in accordance with the terms and conditions
2 of the APA and the Lease, respectively, and (b) execute and deliver, perform under,
3 consummate, implement, and take any and all other acts or actions as may be reasonably
4 necessary or appropriate to the performance of its obligations as contemplated by the APA, the
5 Interim MSA and the Lease, in each case without further notice to or order of this Court. This
6 Order shall be binding in all respects upon the Debtor, its Estate, all creditors, all holders of any
7 Claim(s) (whether known or unknown) against the Debtor, any holders of Interests against, in or
8 on all or any portion of the Acquired Assets, all non-Debtor parties to the Assigned Contracts,
9 the Buyer, and all successors and assigns of the foregoing.

10 32. Transfer of Acquired Assets Free and Clear of Interests.

11 a. Pursuant to Bankruptcy Code sections 105(a), 365(b) and 365(f) and
12 subject to the Electorate Approval, the Debtor is authorized and directed to transfer the Acquired
13 Assets, including but not limited to the Assigned Contracts, to the Buyer on the Closing in
14 accordance with the APA. Upon and as of the Closing, such transfer shall constitute a legal,
15 valid, binding and effective transfer of such Acquired Assets and the Buyer shall take title to and
16 possession of such Acquired Assets free and clear of all Interests (except as expressly set forth in
17 the APA). All such Interests shall attach solely to the proceeds of the Sale with the same
18 validity, priority, force and effect that they now have as against the Acquired Assets, subject to
19 any claims and defenses the Debtor and its Estate may possess with respect thereto. This Order
20 shall be effective as a determination that, on and as of the Closing, all Interests of any kind or
21 nature whatsoever (except as expressly set forth in the APA) have been unconditionally released,
22 discharged and terminated in, on or against the Acquired Assets. The provisions of this Order
23 authorizing and approving the transfer of the Acquired Assets free and clear of Interests shall be
24 self-executing, and neither the Debtor nor the Buyer shall be required to execute or file releases,
25 termination statements, assignments, consents, or other instruments in order to effectuate,
26 consummate and implement the provisions of this Order.

27 b. Except as expressly permitted by the APA or this Order, all persons and
28 entities holding Interests (other than the Permitted Encumbrances and Assumed Liabilities) are

1 hereby forever barred, estopped and permanently enjoined from asserting their respective
2 Interests against the Buyer, any of its Affiliates and subsidiaries, and any of their respective
3 representatives, and each of their respective property and assets, including, without limitation,
4 the Acquired Assets. On and after the Closing, the Buyer shall be authorized to execute and file
5 such documents, and to take all other actions as may be necessary, on behalf of each holder of an
6 Interest to release, discharge and terminate such Interests in, on and against the Acquired Assets
7 as provided for herein, as such Interests may have been recorded or may otherwise exist. On and
8 after the Closing, and without limiting the foregoing, the Buyer shall be authorized to file
9 termination statements or lien terminations in any required jurisdiction to remove any record,
10 notice filing, or financing statement recorded to attach, perfect or otherwise notice any Interest
11 that is extinguished or otherwise released pursuant to this Order. This Order constitutes
12 authorization under all applicable jurisdictions and versions of the Uniform Commercial Code
13 for the Buyer to file UCC termination statements with respect to all security interests in or liens
14 on the Acquired Assets.

15 c. On and after the Closing, the persons holding an Interest (other than a
16 Permitted Encumbrance or an Assumed Liability) shall execute such documents and take all
17 other actions as may be reasonably necessary to release their respective Interests in the Acquired
18 Assets, as such Interests may have been recorded or otherwise filed. The Buyer may, but shall
19 not be required to, file a certified copy of this Order in any filing or recording office in any
20 federal, state, county or other jurisdiction in which the Debtor has real or personal property, or
21 with any other appropriate clerk or recorded with any other appropriate recorder, and such filing
22 or recording shall be accepted and shall be sufficient to release, discharge and terminate any of
23 the Interests as set forth in this Order as of the Closing. All persons and entities that are in
24 possession of any portion of the Acquired Assets on the Closing shall promptly surrender
25 possession thereof to the Buyer at the Closing. The transfer of the Acquired Assets to the Buyer
26 pursuant to the APA does not require any consents other than specifically provided for in the
27 APA.

28 ///

1 d. This Order is and shall be binding upon and govern the acts of all persons
2 and entities (including, without limitation, all filing agents, filing officers, title agents, title
3 companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative
4 agencies, governmental departments, and secretaries of state, federal and local officials) who
5 may be required by operation of law, the duties of their office, or contract to accept, file, register
6 or otherwise record or release any documents or instruments, or who may be required to report or
7 insure any title or state of title in or to any lease. Each of the foregoing persons and entities shall
8 accept for filing any and all of the documents and instruments necessary and appropriate to
9 release, discharge and terminate any of the Interests contemplated by this Order, the APA or any
10 Transaction Document.

11 33. Assigned Contracts; Cure Payments.

12 a. Pursuant to Bankruptcy Code sections 105(a) and 365, and subject to and
13 conditioned upon the Closing, the Debtor's assumption, and assignment and transfer to the Buyer
14 of the Assigned Contracts are hereby authorized and approved in full subject to the terms set
15 forth below. The Debtor shall, on or prior to the Closing, pay the Cure Amounts (or reserve the
16 amount of the Alleged Cure Claims as set forth below) and cure any and all other defaults and
17 breaches under the Assigned Contracts so that such Contracts may be assumed by the Debtor and
18 assigned to Buyer on the Closing in accordance with this Order, the APA and the other
19 Transaction Documents. To the extent the Debtor is responsible for any Cure Amount pursuant
20 to the terms of the APA or the other Transaction Documents, the Buyer may, upon prior written
21 notice to the Debtor and in its sole discretion, (i) pay such amount(s) on behalf of the Debtor, in
22 which case the Debtor shall have no further responsibility therefor, and (ii) offset such amount(s)
23 against any amount(s) Buyer may owe the Debtor (including by deducting such amounts, at the
24 Closing, from the Purchase Price); provided, however, that to the extent the Debtor objects to
25 any Cure Amount, this Court shall retain jurisdiction over such dispute.

26 b. Upon and as of the Closing, the Debtor is authorized and empowered to,
27 and shall, assume, assign and/or transfer each of the Assigned Contracts to the Buyer free and
28 clear of all Interests (except as expressly set forth in the APA). The payment of the applicable

1 Cure Amounts (if any), or the reservation by the Debtor of an amount of cash that is equal to the
2 lesser of (i) the amount of any cure or other compensation asserted by the applicable Contract
3 Counterparty as required under Bankruptcy Code section 365 or (ii) the amount approved by
4 order of this Court to reserve for such payment (such lesser amount, the "Alleged Cure Claim")
5 shall, pursuant to Bankruptcy Code section 365 and other applicable Law, (a) effect a cure, or
6 provide adequate assurance of cure, of all defaults existing thereunder as of the Closing Date and
7 (b) compensate, or provide adequate assurance of compensation, for any actual pecuniary loss to
8 such non-Debtor party resulting from such default. Accordingly, on and as of the Closing, other
9 than such payment or reservation, none of the Debtor or the Buyer shall have any further
10 liabilities or obligations to the non-Debtor parties to the Assigned Contracts with respect to, and
11 the non-Debtor parties to the Assigned Contracts shall be forever enjoined and barred from
12 seeking, any additional amounts or claims (as defined in Bankruptcy Code section 101(5)) that
13 arose, accrued or were incurred at any time on or prior to the Closing on account of the Debtor's
14 cure or compensation obligations arising under Bankruptcy Code section 365. The Buyer has
15 provided adequate assurance of future performance under the relevant Assigned Contracts within
16 the meaning of Bankruptcy Code section 365(f).

17 c. To the extent any provision in any Assigned Contract assumed or assumed
18 and assigned (as applicable) pursuant to this Order (including, without limitation, any "change of
19 control" provision) (a) prohibits, restricts or conditions, or purports to prohibit, restrict or
20 condition, such assumption or assignment, or (b) is modified, breached or terminated, or deemed
21 modified, breached or terminated by any of the following: (i) the commencement of this Chapter
22 9 Case, (ii) the insolvency or financial condition of the Debtor at any time before the closing of
23 this Chapter 9 Case, (iii) the Debtor's assumption or assumption and assignment (as applicable)
24 of such Assigned Contract, or (iv) the consummation of the Transactions, then such provision
25 shall be deemed modified so as to not entitle the non-Debtor party thereto to prohibit, restrict or
26 condition such assumption or assignment, to modify or terminate such Assigned Contract, or to
27 exercise any other default-related rights or remedies with respect thereto, including, without
28 limitation, any such provision that purports to allow the non-Debtor party thereto to recapture

1 such Assigned Contracts, impose any penalty thereunder, condition any renewal or extension
2 thereof, impose any rent acceleration or assignment fee, or increase or otherwise impose any
3 other fees or other charges in connection therewith. All such provisions constitute unenforceable
4 anti-assignment provisions that are void and of no force and effect pursuant to Bankruptcy Code
5 sections 365(b), 365(e) and 365(f).

6 d. All requirements and conditions under Bankruptcy Code sections 105 and
7 365 for the assumption by the Debtor and assignment to the Buyer of the Assigned Contracts
8 have been satisfied. Upon the Closing, in accordance with Bankruptcy Code sections 105 and
9 365, the Buyer shall be fully and irrevocably vested with all right, title and interest of the Debtor
10 in and under the Assigned Contracts, and each Assigned Contract shall be fully enforceable by
11 the Buyer in accordance with its respective terms and conditions, except as limited or modified
12 by the provisions of this Order. Upon and as of the Closing, the Buyer shall be deemed to be
13 substituted for the Debtor as a party to the applicable Assigned Contracts and, accordingly, the
14 Debtor shall be relieved from any further liability under the Assigned Contracts.

15 e. Upon the payment of the applicable Cure Amount or reservation of the
16 Alleged Cure Claim, if any, the Assigned Contracts will remain in full force and effect, and no
17 default shall exist, or be deemed to exist, under the Assigned Contracts as of the Closing nor
18 shall there exist, or be deemed to exist, any event or condition which, with the passage of time or
19 giving of notice, or both, would constitute such a default.

20 f. The rights of the Buyer to modify the list of the Assigned Contracts after
21 the date of this Order and up to the earlier of (a) the Closing Date, and (b) any applicable
22 deadline under the Bankruptcy Code, are hereby approved. All Contract Counterparties to the
23 Assigned Contracts shall be deemed to have consented to such assumption and assignment under
24 Bankruptcy Code section 365(c)(1)(B) and the Buyer shall enjoy all of the Debtor's rights,
25 benefits and privileges under each such Assigned Contract as of the applicable date of
26 assumption and assignment without the necessity to obtain any non-Debtor parties' written
27 consent to the assumption or assignment thereof. The failure of the Debtor or the Buyer to
28 enforce at any time one or more terms or conditions of any Assigned Contract shall not be a

1 waiver of such terms or conditions, or of its respective rights to enforce every term and condition
2 of the Assigned Contracts.

3 34. ~~Additional Injunction; No Successor Liability.~~

4 ~~a. Effective upon the Closing and except as expressly set forth in the APA,~~
5 ~~all persons and entities are forever prohibited and permanently enjoined from (i) commencing or~~
6 ~~continuing in any manner any action or other proceeding, the employment of process, or any act~~
7 ~~(whether in law or equity, in any judicial, administrative, arbitral or other proceeding), to collect,~~
8 ~~recover or offset any Interest, (ii) enforcing, attaching, collecting or recovering in any manner~~
9 ~~any judgment, award, decree or order with respect to an Interest, (iii) creating, perfecting or~~
10 ~~enforcing any Interest, or (iv) asserting any setoff, right of subrogation or recoupment of any~~
11 ~~kind with respect to an Interest, in each case as against the Buyer, any of its Affiliates or~~
12 ~~subsidiaries, or any of their respective representatives, or any of their respective property or~~
13 ~~assets, including the Acquired Assets.~~

14 b. The Transactions contemplated by the APA and the Transaction
15 Documents do not cause there to be, and there is not (i) a consolidation, merger, or *de facto*
16 merger of the Buyer with or into the Debtor or the Debtor's Estates; (ii) a substantial continuity
17 between the Buyer and the Debtor or the Debtor's Estate, (iii) a common identity between the
18 Buyer and the Debtor or the Debtor's Estate, or (iv) a mere continuation of the Debtor or its
19 Estate with the Buyer.

20 c. Except as expressly set forth in the APA, the transfer of the Acquired
21 Assets, including, without limitation, the assumption, assignment and transfer of any Assigned
22 Contract, to the Buyer shall not cause or result in, or be deemed to cause or result in, the Buyer,
23 any of its Affiliates or subsidiaries, or any of their respective representatives, having any
24 liability, obligation, or responsibility for, or any Acquired Assets being subject to or being
25 recourse for, any Interest whatsoever, whether arising under any doctrines of successor,
26 transferee or vicarious liability, breach of fiduciary duty, aiding or abetting breach of fiduciary
27 duty or otherwise, whether at Law or in equity, directly or indirectly, and whether by payment,
28 setoff, recoupment, or otherwise.

1 d. For the avoidance of doubt, notwithstanding the consummation of the
2 Transactions and the employment by the Buyer of certain persons previously employed by the
3 Debtor, (i) the Buyer shall not have any obligations or liabilities to any employee of the Debtor
4 or in respect of any employee benefits owing to any employee of the Debtor by the Debtor or by
5 any plan or program administered by the Debtor or for the benefit of the Debtor's employees,
6 and (ii) any obligations of the Buyer to any such person shall be expressly limited to (i) those
7 obligations expressly agreed upon by the Buyer (if any) with such person, and (ii) those
8 obligations explicitly assumed by the Buyer (if any) under the APA.

9 35. Good Faith. The Transactions contemplated by this Order, the APA, the Interim
10 MSA and the Lease are undertaken by the Buyer without collusion and in good faith, and
11 accordingly, the reversal or modification on appeal of the authorization provided herein to
12 consummate the Sale and other Transactions shall not alter, affect, limit, or otherwise impair the
13 validity of the Sale or such other Transactions (including the assumption, assignment and/or
14 transfer of the Assigned Contracts), unless such authorization and consummation are duly stayed
15 pending such appeal. The Buyer is a good faith purchaser and, as such, is entitled to, and hereby
16 granted, the full rights, benefits, privileges and protections of this Order and the Bankruptcy
17 Code.

18 36. Other Provisions Pertaining to the Lease, the Interim MSA and the Lease.

19 a. The Buyer is hereby authorized, in its discretion, in connection with
20 consummation of the Transactions to allocate the Acquired Assets, Assumed Liabilities, and
21 Assigned Contracts among its Affiliates, subsidiaries, designees, assignees, and/or successors in
22 a manner as it, in its discretion, deems appropriate and such person shall be entitled to all of the
23 rights, benefits, privileges and protections of the Buyer as are accorded to the Buyer under this
24 Order, and the Debtor shall, to the extent set forth in the APA or Lease, cooperate with and take
25 all actions reasonably requested by Buyer to effectuate any of the foregoing. In the event that the
26 Buyer designates any Buyer designee (a "Buyer Designee") to acquire any Acquired Assets,
27 including, without limitation, any Assigned Contracts, then any reference to the "Buyer" in this
28 Order shall be deemed to be a reference to "the Buyer and/or such applicable Buyer Designee,"

1 unless the context requires otherwise. Upon the transfer of any Acquired Asset or Assigned
2 Contract to, or the assumption of any Assumed Liability by, a Buyer Designee, such Buyer
3 Designee shall be solely responsible for such Acquired Asset, Assumed Liability, or Assigned
4 Contract (including performance thereunder), as applicable.

5 b. Nothing contained in any plan of adjustment, or order of any type or kind
6 entered in (a) this Chapter 9 Case, or (b) any related proceeding subsequent to entry of this
7 Order, shall conflict with or derogate from the provisions of the APA, the Lease, the other
8 Transaction Documents or the terms of this Order. To the extent of any such conflict or
9 derogation, the terms of this Order shall govern.

10 c. Nothing in this Order shall modify or waive any closing conditions or
11 termination rights in the APA or the Lease, and all such conditions and rights shall remain in full
12 force and effect in accordance with their terms. No bulk sales law or any similar law of any state
13 or other jurisdiction applies in any way to the Transactions.

14 d. All payment or reimbursement obligations of the Debtor owed to the
15 Buyer pursuant to the APA or the Lease shall be paid in the manner provided therein, without
16 further notice to or order of this Court. All such obligations shall constitute allowed
17 administrative claims against the Debtor, with first priority administrative expense status under
18 Bankruptcy Code sections 503(b) and 507(a)(2). Until satisfied in full in cash, all such
19 obligations shall continue to have the protections provided in this Order, and shall not be
20 discharged, modified or otherwise affected by any plan of adjustment for the Debtor.

21 e. The failure specifically to include any particular provision of the APA, the
22 Interim MSA or the Lease in this Order shall not diminish or impair the effectiveness of such
23 provision, it being the intent of this Court that the APA, the Interim MSA and the Lease be
24 authorized and approved in their entirety.

25 37. Modifications to Documents. Except as otherwise set forth in this Order, the
26 APA, the Lease and the other Transaction Documents may be modified, amended or
27 supplemented in a writing signed by the parties thereto and in accordance with the terms thereof,
28 without further notice to or order of this Court.

- 1 38. Bond Treatment. The following Bond Treatment shall be and hereby is approved:
- 2 a. The definition of “Revenues” and “Gross Revenues” under the documents
- 3 that evidence and otherwise secure the Revenue Bonds (the “Revenue Bond Documents”) is
- 4 deemed amended to expressly include Debtor income from ad valorem taxes on real property,
- 5 other Debtor income from taxes, proceeds thereof, and all Debtor rights to receive the same,
- 6 except to the extent the foregoing are pledged to and necessary to pay Debtor obligations on the
- 7 General Obligation Bonds.
- 8 b. As additional security for the Debtor’s obligations under the Revenue
- 9 Bond Documents in addition to the Debtor’s ongoing pledge of Revenues and Gross Revenues,
- 10 the Trustee/Paying Agent is granted a junior lien in the Collateral, subject and subordinate to: (a)
- 11 the DIP Obligations and the DIP Liens; and (b) any Permitted Personal Property Encumbrances
- 12 and Permitted Real Property Encumbrances. The foregoing liens shall be released as to any
- 13 Debtor property AH Tulare acquires or leases from the Debtor in the Transactions upon the
- 14 occurrence of such sale or lease. For the avoidance of doubt, the foregoing liens shall not attach
- 15 to revenues AH Tulare generates from its operation of Debtor assets that are sold or leased to AH
- 16 Tulare. The foregoing liens shall be further subordinated to any valid, unavoidable Debtor
- 17 expenses incurred during, and prior to the effective date of any plan in, the Chapter 9 Case,
- 18 including reasonable fees and expenses of Debtor attorneys and other professionals, and any exit
- 19 financing on reasonable terms the Debtor may obtain to satisfy these expenses. This
- 20 supplemental lien shall be deemed perfected without any requirement for the filing or
- 21 recordation of any further documents and shall be fully released upon the earlier of (i) the
- 22 Debtor’s full compliance with its obligations under the Revenue Bond Documents for 24
- 23 consecutive months and (ii) so long as there are no existing defaults under the Revenue Bond
- 24 Documents, other than any defaults resulting from the Transactions or this Order, any release of
- 25 such Collateral by AH Tulare.
- 26 c. The Debtor’s existing commitment to provide the Trustee/Paying Agent
- 27 an administrative priority claim for diminution from the Petition Date for the Debtor’s use of
- 28 Revenues and Gross Revenues in the Chapter 9 Case is maintained.

1 d. Any plan confirmed in this Chapter 9 Case shall ratify and otherwise
2 reinstate the Revenue Bond Documents, as modified by the Bond Treatment and to render them
3 otherwise consistent with the Transaction Documents, on terms reasonably acceptable to the
4 Debtor and Trustee/Paying Agent.

5 e. The Debtor shall continue to comply with its obligations under the
6 documents evidencing and otherwise securing the General Obligation Bonds (the "General
7 Obligation Bond Documents"), which shall include the Series A General Obligation Bonds.

8 f. Any plan confirmed in this Chapter 9 Case shall ratify and otherwise
9 reinstate the General Obligation Bond Documents without any change or modification to the
10 terms of the General Obligation Bonds or the insurance policy issued by Syncora Guarantee Inc.
11 ("Syncora") in connection with the Series A General Obligation Bonds.

12 g. For the avoidance of doubt, neither Adventist Health nor AH Tulare is
13 acquiring any right, title or interest in any *ad valorem* or other tax revenues of the Debtor, any
14 subsidy payments to the Debtor under the federal recovery act with respect to the General
15 Obligation Bonds, any funds held by the Trustee/Paying Agent, any rights to receive the
16 foregoing, or any proceeds thereof.

17 h. For the avoidance of doubt, the Debtor's grant and maintenance of the
18 Bond Treatment is authorized by and shall not constitute a default under the Transaction
19 Documents.

20 i. The Debtor, Trustee/Paying Agent and Syncora in connection with the
21 Series A General Obligation Bonds are each authorized to take such other actions and execute
22 and file such other documents, as either party may reasonably request to implement, evidence or
23 perfect the Bond Treatment or that are reasonably necessary in connection with these matters.
24 The Debtor and Trustee/Paying Agent shall consult with Syncora prior to taking any such actions
25 and in any event shall provide reasonable notice in advance of any action to be taken or the
26 execution of any documents in connection with the Series A General Obligation Bond
27 Documents. The automatic stay is modified to the extent necessary to permit the foregoing
28 matters.

1 j. Any plan confirmed in this Chapter 9 Case shall reinstate the Revenue
2 Bonds and General Obligation Bonds in their then existing principal amount and all duties and
3 obligations set forth in the General Obligation Bond Documents.

4 k. Any plan confirmed in this Chapter 9 Case shall contain treatment for the
5 Revenue Bonds and General Obligation Bonds consistent with the Bond Treatment. If any such
6 plan purports to treat the Revenue Bonds or General Obligation Bonds in a manner inconsistent
7 with the Bond Treatment or otherwise provide treatment that attempts to modify the underlying
8 Bond Documents in any way, this Order shall control.

9 l. The Debtor shall continue to consult with the Trustee/Paying Agent and
10 Syncora regarding Transaction Documents and provide the Trustee/Paying Agent and Syncora
11 any financial reporting it is required to provide Adventist Health or AH Tulare under the
12 Transaction Documents. The Trustee/Paying Agent and Syncora will receive a timely copy of
13 any valuation materials prepared by any Debtor consultant for use in the Transactions. The
14 Debtor shall not amend any Transaction Documents in a manner that is materially adverse to the
15 Revenue Bonds or the General Obligation Bonds without prior consent of the Trustee/Paying
16 Agent and Syncora if any amendments are proposed to the Series A General Obligation Bonds or
17 further approval of the Bankruptcy Court, after notice to the Trustee/Paying Agent and Syncora.

18 m. The Trustee/Paying Agent and Syncora have reserved all rights to seek
19 further adequate protection if the Trustee/Paying Agent or Syncora determines the adequate
20 protection set forth herein is not sufficient.

21 C. Other Provisions.

22 39. Time Periods. All time periods set forth in this Order shall be calculated in
23 accordance with Bankruptcy Rule 9006(a).

24 40. Automatic Stay. The automatic stay provisions of section 362 of the Bankruptcy
25 Code are vacated and modified to the extent necessary to implement the provisions of this Order
26 and the terms and conditions of the APA, the Lease and the other Transaction Documents.

27 41. No Third Party Beneficiary. No rights are created hereunder for the benefit of
28 any third party, any creditor, any party in a successor case or any direct, indirect or incidental

1 beneficiary.

2 42. Adequate Notice. Adequate notice under the circumstances has been given. The
3 Debtor shall promptly mail copies of this Order to the parties entitled to notice.

4 43. Entry of Final Order; Effect. This Order shall take effect immediately upon
5 execution hereof. Notwithstanding Bankruptcy Rule 6004(h), to the extent applicable, this Order
6 shall be effective and enforceable immediately upon entry hereof.

7 44. Retention of Jurisdiction. This Court shall retain jurisdiction over all matters
8 pertaining to the implementation, interpretation and enforcement of this Order, the DIP Facility
9 and/or the Transaction Documents. This Court retains jurisdiction, pursuant to its statutory
10 powers under 28 U.S.C. § 157(b), to, among other things, (i) interpret, implement, and enforce
11 the terms and provisions of this Order, the APA, the DIP Credit Agreement, the Loan
12 Documents, the Interim MSA, the Lease and the other Transaction Documents, and any
13 amendments thereto and any waivers and consents given thereunder, (ii) compel delivery of the
14 Acquired Assets to the Buyer; (iii) enforce the injunctions and limitations of liability set forth in
15 this Order, and (iv) enter any orders under Bankruptcy Code sections 105 and 365 with respect to
16 the Assigned Contracts.

17 45. Findings of Fact and Conclusions of Law. This Order shall constitute findings of
18 fact and conclusions of law and shall take effect and be fully enforceable immediately upon the
19 entry thereof. To the extent that any findings of fact are determined to be conclusions of law,
20 such findings of fact shall be adopted as such; and to the extent that any conclusions of law are
21 determined to be findings of fact, such conclusions of law shall be adopted as such.

22 46. Order Controls. To the extent that this Order is inconsistent with any prior order
23 or pleading with respect to the Motion, the terms of this Order shall control. To the extent there
24 are any inconsistencies between this Order, on the one hand, and the Transaction Documents, on
25 the other hand, the terms of this Order shall govern.

26 47. MB Financial Bank, N.A. and Celtic Commercial Finance, a division of MB
27 Equipment Finance, LLC (collectively, the "MB Parties"). Notwithstanding anything contained
28 in the Motion, this Order, or in the Transaction Documents to the contrary, all aspects of the

1 Motion related to the MB Parties, including, any and all of the MB Parties' respective rights,
2 claims, and interests in or to any equipment and other personal property (the "MB Equipment")
3 that is the subject of either: (a) Master Lease No. CML-3826A (the "Master Lease"); or (b)
4 Lease Schedule No. 3826A01 (the "Lease Schedule") annexed to and made part of the Master
5 Lease, both dated August 24, 2017, and to the assumption and assignment (including cure
6 obligations) of either the Master Lease or Lease Schedule are hereby adjourned to November 29,
7 2018, at 9:30 a.m. Pending further order of this Court: (i) all of the MB Parties' rights, claims,
8 and defenses as to the MB Equipment and under the Master Lease and the Lease Schedule are
9 expressly reserved and preserved; and (ii) the MB Equipment, the Master Lease, and the Lease
10 Schedule shall not constitute or be included in either the Acquired Assets or the Collateral; and
11 (iii) any security interest granted to Lender in either the Transaction Documents or this Order
12 shall be expressly subordinate to and subject to all of the MB Parties' rights, claims, liens, and
13 security interests as they relate to the MB Equipment, the Master Lease, and the Lease Schedule.

14 48. Roche Diagnostics Corporation ("Roche"). Notwithstanding anything contained
15 in the Motion, this Order, or in the Transaction Documents to the contrary, all aspects of the
16 Motion related to Roche, including, any and all of Roche's rights, claims, and interests in or to
17 any equipment and other personal property (the "Roche Equipment") that is the subject of that
18 certain Master Agreement effective as of December 28, 2010 and related Schedules, Exhibits,
19 orders, invoices, course of dealing and other arrangements between Roche and the Debtor,
20 including but not limited to that certain Roche Diagnostics Corporation Product Schedule No.
21 41037578 effective December 28, 2010 (the "Roche Agreement") and to the assumption and
22 assignment (including cure obligations) of the Roche Agreement are hereby adjourned to
23 November 29, 2018, at 9:30 a.m. Pending further order of this Court: (i) all of Roche's rights,
24 claims, and defenses as to the Roche Equipment and under the Roche Agreement are expressly
25 reserved and preserved; and (ii) the Roche Equipment and the Roche Agreement shall not
26 constitute or be included in either the Acquired Assets or the Collateral; and (iii) any security
27 interest granted to Lender in either the Transaction Documents or this Order shall be expressly
28 subordinate to and subject to Roche's rights, claims, liens, and security interests as they relate to

1 the Roche Equipment and the Roche Agreement. Any responses to any issue raised in Roche's
2 Limited Objection to the Motion shall be filed at least 14 days prior to the November 29, 2018
3 hearing.

4 49. Stipulations With Parties-in-Interest. The stipulations that have been entered into
5 by the Debtor relating to the Motion that have been filed on the docket for this chapter 11 case
6 (the "Stipulations") are hereby approved. To the extent of any conflict between this Order and
7 the Stipulations, the terms of the Stipulations shall control.

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9 Submitted by:

10 Riley C. Walter
11

12 Riley C. Walter
13 Counsel for Debtor Tulare Local Healthcare District

14 Approved as to form:

15
16 /s/ Kimberly A. Posin

17 Kimberly A. Posin
18 Latham & Watkins LLP
19 Counsel for Adventist Health System/West
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23 IT IS SO ORDERED.

24 Dated: Aug 03, 2018

By the Court

25 René Lastreto II
26 René Lastreto II, Judge
27 United States Bankruptcy Court
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