

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
(Richmond Division)**

**In re:**

**HEALTH DIAGNOSTIC LABORATORY,  
INC., et al.,  
Debtors.<sup>1</sup>**

**Chapter 11**

**Case No.: 15-32919**

**(Joint Administration Requested)**

**INTERIM ORDER AUTHORIZING THE DEBTORS TO USE CASH COLLATERAL,  
GRANTING ADEQUATE PROTECTION, AND SCHEDULING A FINAL HEARING**

Upon the motion (the “**Motion**”)<sup>2</sup> of the above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”) for entry of an order, pursuant to sections 105, 361, and 363 of the Bankruptcy Code and Bankruptcy Rule 4001, authorizing the Debtors to use cash collateral (“**Cash Collateral**”) of and granting certain adequate protection to Branch Banking & Trust Company (“**BB&T**”) and BB&T Equipment Finance Corporation (“**BB&T Equipment Finance Corporation**”) in these “**Chapter 11 Cases**,” the Court finds that: (a) it has jurisdiction

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<sup>1</sup> The Debtors in these cases, along with the last four digits of each Debtor federal tax identification number, are: Health Diagnostic Laboratory, Inc. (0119), Central Medical Laboratory, LLC (2728) and Integrated Health Leaders, LLC (7832).

<sup>2</sup> Unless otherwise defined herein, all capitalized terms shall have the meaning ascribed to them in the Motion.

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*Proposed Special Conflicts Counsel for the Debtors*

over the matters raised in the Motion pursuant to 28 U.S.C. §§ 157 and 1334(b); (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); (c) the relief requested in the Motion is in the best interest of the Debtors, their estates and creditors, and is necessary to prevent immediate and irreparable harm; (d) proper and adequate notice of the Motion and the hearing thereon has been given and no other or further notice is necessary; (e) BB&T and BB&T Equipment Finance are adequately protected by virtue of the Replacement Liens (defined below); and (f) the record herein after due deliberation thereon, good and sufficient cause exists for the granting of the relief as set forth herein. Therefore,

**IT IS HEREBY ORDERED THAT:**

1. The relief requested in the Motion is hereby **GRANTED** on an interim basis.
2. Subject to the terms and conditions of this Interim Order , the Debtors are authorized—retroactive to June 7, 2015—through and including the date of the Final Hearing (as defined herein) (the “**Termination Date**”) to use Cash Collateral consistent with the Budget attached hereto as **Exhibit 1** to satisfy (i) any and all pre-Petition Date operating and other expenses approved by the Court, and (ii) disbursements incurred in the ongoing post-Petition Date operation of the Debtors’ businesses, in amounts not to exceed those disbursements set forth in the Budget subject to a ten percent (10%) cumulative variance of the Net Cash Flow (as identified in the attached Budget) over the time period encapsulated in the Budget without approval and agreement in writing by BB&T and BB&T Equipment Finance. Notwithstanding the foregoing, the Debtors are not authorized to use Cash Collateral pursuant to this Interim Order (i) to pay to or for the benefit of the Debtors or any principal, shareholder, or insider of the Debtors, whether directly or indirectly, unless specifically provided for in the Budget, approved

and agreed in writing by BB&T, or as otherwise authorized by order of the Court; (ii) to pay any professional fees or costs of the Debtors or any committee appointed in these Chapter 11 Cases; or (iii) to pay any other cost or fees in connection with any act which is contrary to any term or condition set forth in or acknowledged by this Interim Order. With respect to the “DIP Interest and Fees” line item in the Budget, the Debtors will not spend those funds unless approved by order of the Court or consented to in writing by BB&T and BB&T Equipment Finance.

3. Pursuant to the terms of the Order granting, on either an interim or final basis, the Motion of the Debtors and Debtors in Possession for Entry of an Order (I) Authorizing Debtors to Maintain Existing Bank Accounts and Business Forms and Continue to Use Existing Cash Management System; (II) Granting Administrative Expense Status for Intercompany Claims; and (III) Waiving the Requirements of Section 345(b) of the Bankruptcy Code [Docket No. 10], the Debtors may not change their cash management procedures with respect to BB&T, BB&T Equipment Finance, accounts of BB&T, or accounts of BB&T Equipment Finance without express written consent of BB&T and BB&T Equipment Finance. The Debtors shall continue depositing their cash receipts into the same pre-Petition Date deposit accounts held at BB&T. The Debtors may not deposit their cash receipts or Cash Collateral into accounts held by any other lending institution. Any BB&T Cash Collateral collections deposited in the SunTrust account by a third party shall be transferred to BB&T accounts by wire transfer on a weekly basis by Friday of each week. With the exception of cash receipts from any governmental unit in the ordinary course of the Debtors’ businesses, the Debtors may not deposit the cash receipts or Cash Collateral into HDL’s deposit account ending in -0886 held by BB&T.

4. For the purpose of providing adequate protection for any interest BB&T and BB&T Equipment Finance may have in Cash Collateral, the Debtors shall grant BB&T and BB&T Equipment Finance respectively, as security to the extent of the diminution in the value of Cash Collateral, valid, perfected, and enforceable security interests (the “**Replacement Liens**”) in and upon all present and after-acquired personal property of the Debtors of any nature whatsoever including, without limitation, all cash contained in any account maintained by the Debtors at BB&T or SunTrust to the extent BB&T Cash Collateral collections are at or made in the future to such SunTrust account. The Replacement Liens shall secure (i) the diminution in Cash Collateral in an amount equal to the amount by which the value of Cash Collateral as of any post-Petition Date of determination is less than the value of Cash Collateral as of the Petition Date (the “**Adequate Protection Amount**”) and (ii) any failure by the Debtors to comply with their obligations under this Interim Order. The Replacement Liens shall be subject only to any non-avoidable, valid, enforceable and perfected liens and security interests on or in the assets of the Debtors, which existed on the Petition Date (including any valid liens and security interests in existence on the Petition Date that are perfected after the Petition Date as permitted by section 546(b) of the Bankruptcy Code) and are not subject to section 552(a) of the Bankruptcy Code, but only to the extent such liens and security interests are superior in priority to the pre-Petition Date lien in favor of BB&T and/or BB&T Equipment Finance.

5. The Replacement Liens shall be valid, perfected, enforceable, and effective upon entry of this Interim Order without the necessity of execution, filing, or recordation of any financing statements or security agreements.

6. Subject to the Carve-Out described in paragraph 7 below, to the extent the Replacement Liens are insufficient to protect BB&T and/or BB&T Equipment Finance against any diminution of its interest in Cash Collateral, BB&T and BB&T Equipment Finance reserve the right to request, by appropriate motion, an allowed administrative expense claim having priority over all other costs and expenses of administration of any kind, which claim shall at all times be senior to the rights of the Debtors, or any successor trustee or estate representative in the Chapter 11 case of any Debtor. Any such claim provided to BB&T and/or BB&T Equipment Finance as referenced in this paragraph shall be referred to as the “**Super-Priority Claim.**” The Debtors reserve all rights to object to any such request for a Super-Priority Claim by BB&T and/or BB&T Equipment Finance. In addition to the foregoing, no Cash Collateral nor any collateral of either BB&T or BB&T Equipment Finance (or proceeds thereof) may be used to make any payments as adequate protection payments with respect to any amounts owed as of the Petition Date except for adequate protection payments made with respect to the BB&T Loans.

7. The Replacement Liens and the Super-Priority Claim, if allowed, shall be subject only to (i) the payment of any unpaid fees payable pursuant to 28 U.S.C. § 1930 and (ii) fees payable to the clerk of the Bankruptcy Court (collectively, the “**Carve-Out**”).

8. The Debtors shall provide BB&T, BB&T Equipment Finance, Fulton Bank, the U.S. Trustee, and any committee appointed in these Chapter 11 Cases with a weekly Budget variance report and all other reporting requirements as provided by the pre-Petition Date loan documents.

9. Unless and until BB&T and/or BB&T Equipment Finance receives additional and appropriate relief from this Court, neither BB&T nor BB&T Equipment Finance shall offset or otherwise draw down on any of the Debtors' accounts and/or assets.

10. The Debtors shall timely perform all reporting requirements and provide BB&T and/or BB&T Equipment Finance with all information and reports as required under the pre-Petition Date loan documents. In addition, the Debtors shall cooperate with BB&T and BB&T Equipment Finance in sharing information and providing access to allow BB&T and BB&T Equipment Finance to obtain appraisals on BB&T's collateral. The Debtors shall make their representatives accessible to cooperate and consult with BB&T and/or BB&T Equipment Finance, and provide such supplemental information and explanations as may be reasonably requested.

11. The Debtors shall be in default under this Interim Order upon the occurrence of any of the following events (each such event being an "**Event of Default**"):

- (a) The Debtors fail to comply with any of the terms or provisions of this Interim Order, including, without limitation, making payments in excess of the Budget or the failure to keep disbursements of any amounts for any line-item in the Budget no greater than the amounts set forth therein subject to a ten percent (10%) cumulative variance of the Net Cash Flow (as identified in the attached Budget) over the time period encapsulated in the Budget;
- (b) Entry of an order dismissing any of the Chapter 11 Cases or converting any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code;

- (c) With the exception of an order approving debtor-in-possession financing, an order is entered that by its terms would (i) permit any administrative expense claim (now existing or hereafter arising, of any kind or nature whatsoever) to have priority equal or superior to the priority of the pre-Petition Date liens and/or the Replacement Liens of BB&T and/or BB&T Equipment Finance, or (ii) grant or permit the grant of a lien on any collateral of BB&T and/or BB&T Equipment Finance, other than any liens allowed by the pre-Petition Date loan documents;
- (d) An order is entered by the Court granting relief from the automatic stay that allows any person to collect, repossess, or foreclose upon any portion of the collateral as to which BB&T and/or BB&T Equipment Finance claims a lien; or
- (e) The Debtors make any payment on any pre-Petition Date claim without the express prior written consent of BB&T and/or BB&T Equipment Finance or by order of the Court.

12. Upon the occurrence of an Event of Default, BB&T and/or BB&T Equipment Finance shall provide Debtors, counsel for any Committee (and if no Committee is appointed, the 20 largest creditors of the Debtors), and the U.S. Trustee, with written notice of such default via fax or e-mail delivery or via overnight delivery service. Within five (5) business days of the service of the notice of default and the Debtors' failure to cure such Event of Default within such five (5) business days, (i) BB&T and BB&T Equipment Finance's consent regarding Debtors' use of the Cash Collateral pursuant to this Interim Order is terminated without further notice; (ii) the Debtors may not use Cash Collateral for any purpose unless consented to in writing by BB&T and/or BB&T Equipment Finance; and (iii) the Debtors must hold and segregate all Cash

Collateral (the “**Immediate Default Consequences**”). The Immediate Default Consequences will continue until (y) a further order of the Court alters those rights and obligations; or (z) Debtors cure the default within five (5) business days from the date of delivery of the notice of the Event of Default.

13. Nothing in this Interim Order or the Motion shall be construed as prejudicing the rights of the Debtors to dispute or contest whether BB&T or BB&T Equipment Finance has a valid perfected security interest in the Cash Collateral or to seek approval of debtor-in-possession financing with priority over the liens of BB&T and/or BB&T Equipment Finance. Nothing in this Interim Order shall be construed to waive, eliminate, or diminish the rights of BB&T or BB&T Equipment Finance to assert the validity and/or priority of their security interests in the Cash Collateral or the Replacement Liens.

14. The Debtors, BB&T, and BB&T Equipment Finance, respectively, do not waive, and expressly reserve, any and all claims, defenses, rights and remedies they have pursuant to any or all of the pre-Petition Date loan documents, the Bankruptcy Code, the Motion, and/or other applicable law. Without limiting the generality of the foregoing: (a) the Debtors expressly reserve (i) all avoidance powers, and (ii) all rights with respect to the validity, extent and priority of BB&T and/or BB&T Equipment Finance’s pre-Petition Date liens; and (b) BB&T and BB&T Equipment Finance expressly reserve the right to argue (i) that BB&T and/or BB&T Equipment Finance is entitled to relief from the automatic stay pursuant to the provisions of §§ 362(d)(1) and/or 362(d)(2) of the Bankruptcy Code, and (ii) that the Debtors are required to make periodic cash payments to BB&T and/or BB&T Equipment Finance as adequate protection for the Debtors’ use of the Cash Collateral at any time during the period of the Budget or thereafter.

Nothing in this Interim Order shall be deemed to prejudice BB&T and/or BB&T Equipment Finance's rights to request or obtain the immediate entry of an order requiring the Debtors to commence such adequate protection payments or provide other adequate protection prior to the Termination Date or such other termination of the Debtors' right to use of Cash Collateral—all of which rights are expressly reserved; and nothing in this Interim Order shall be deemed to prejudice the Debtors to object to such a request by BB&T and/or BB&T Equipment Finance. Furthermore, nothing in this Interim Order shall be deemed to prejudice the Debtors' rights to request or obtain entry of an order extending the Debtors' right to use Cash Collateral.

15. Subject to the entry of any subsequent interim or final order, the provisions of this Interim Order shall be binding upon and inure to the benefit of BB&T, BB&T Equipment Finance, the Debtors, and their respective successors and assigns. Except as otherwise explicitly set forth in this Interim Order, no third parties are intended to be or shall be deemed to be third party beneficiaries of this Interim Order.

16. The Debtors shall not, without BB&T and/or BB&T Equipment Finance's prior written consent, seek to modify, vacate or amend this Interim Order with respect to the Debtors' use of Cash Collateral pursuant to this Interim Order, or the protections afforded to BB&T and BB&T Equipment Finance with respect to the Debtors' use of Cash Collateral pursuant to this Interim Order. If any of the provisions of this Interim Order are hereafter modified, vacated or stayed by subsequent order of this or any other Court (including a confirmation order), such stay, modification or vacatur shall not affect the validity of any action taken prior to the effective time of such stay, modification or vacation, or the validity and enforceability of any lien, priority, right, privilege or benefit authorized hereby with respect to any such action. Notwithstanding

any such stay, modification or vacatur, any action taken immediately prior to the effective time of such modification, stay or vacatur shall be governed in all respects by the original provisions of this Interim Order, and BB&T shall be entitled to all the rights, privileges and benefits, including, without limitation, the security interests and priorities granted herein, with respect to all such actions.

17. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Interim Order.

18. The final hearing on the Motion is scheduled on June 30, 2015, at 11:00 A.M. (prevailing Eastern Time) before this Court, 701 E. Broad St., Rm. 5000, Richmond, Virginia (the “**Final Hearing**”).

19. Within three (3) business days of the entry of this Interim Order, the Debtors shall serve a copy of this Interim Order, thereby providing notice of the Final Hearing, on (a) the U.S. Trustee; (b) the attorneys for BB&T and BB&T Equipment Finance; (c) all known creditors holding secured claims against the Debtors’ estates; and (d) those creditors holding the 30 largest unsecured claims against the Debtors’ estates on a consolidated basis.

20. With the exception of BB&T, any objection to the relief requested in the Motion on a permanent basis must, by 4:00 p.m. (prevailing Eastern Time) on June 24, 2015 (the “**Objection Deadline**”), be: (a) filed with the Court; and (b) actually received by: (i) the Office of the U.S. Trustee, 701 East Broad Street, Suite 4304, Richmond, Virginia 23219 Attn: Robert B. Van Arsdale, Esq.; (ii) proposed counsel to the Debtors, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219, Attn: Tyler P. Brown, Esq., email: tpbrown@hunton.com; (iii) proposed special conflicts counsel to the Debtors, Hirschler

Fleischer, P.C., 2100 East Cary Street, Richmond, Virginia 23223, Attn: Robert S. Westermann, Esq., email: rwestermann@hf-law.com; (iv) counsel for BB&T and BB&T Equipment Finance, Troutman Sanders, LLP, 1850 Towers Crescent Plaza, Suite 500, Tysons Corner, Virginia 22182, Attn: Richard E. Hagerty, Esq., email: richard.hagerty@troutmansanders.com, and Troutman Sanders, LLP, 1001 Haxall Point, Richmond, Virginia 23219, Attn: Thomas E. duB. Faults, Esq., email: ted.faults@troutmansanders.com; (v) counsel for Fulton Bank, Reed Smith, LLP, 901 East Byrd Street, Suite 1700, Richmond, Virginia 23219-4068, Attn: Curtis G. Manchester, Esq., email: cmanchester@reedsmith.com; and (vi) the attorneys for any official committee of unsecured creditors, if then appointed in these cases, on or before the Objection Deadline. As to BB&T only, any objection to the relief requested in the Motion on a permanent basis must be filed and served in accordance with the immediately preceding sentence by 4:00 p.m. (prevailing Eastern Time) on June 26, 2015.

21. With the exception of BB&T, a reply to any timely filed and served Objection may be filed with the Court and served on or before 12:00 p.m. (prevailing Eastern Time) on the day that is at least two business days before the Final Hearing. As to BB&T only, a reply to any timely filed and served Objection by BB&T may be filed with the Court and served on or before 12:00 p.m. (prevailing Eastern Time) on June 29, 2015.

22. The contents of the Motion and the notice procedures set forth herein are good and sufficient notice and satisfy Bankruptcy Rules 4001 and 9014 by providing parties with notice and an opportunity to object and be heard at a hearing.

23. The requirement under Local Bankruptcy Rule 9013-1(G) to file a memorandum of law in connection with the Motion is hereby waived.

24. Notwithstanding any Bankruptcy Rule (including, but not limited to, Bankruptcy Rule 6004(h)) or Local Bankruptcy Rule that might otherwise delay the effectiveness of this Interim Order, the terms and conditions of this Interim Order shall be immediately effective and enforceable upon its entry.

25. Nothing in this Interim Order shall be deemed to prejudice BB&T and/or BB&T Equipment Finance's rights to request or obtain the immediate entry of an order requiring the Debtors to commence such adequate protection payments or provide other adequate protection prior to the Termination Date or such other termination of the Debtors' right to use of Cash Collateral, all of which rights are expressly reserved, or the Debtors' rights to object thereto. Nothing in this Interim Order shall be deemed to prejudice the Debtors' rights to request or obtain entry of an order extending the Debtors' right to use Cash Collateral.

26. This Court shall retain exclusive jurisdiction over any and all matters arising from or related to the implementation or interpretation of this Interim Order.

Dated: Jun 9 2015

/s/ Kevin R Huennekens  
United States Bankruptcy Judge

Entered on Docket: Jun 10 2015

SEEN AND AGREED:

/s/ Robert S. Westermann  
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**CERTIFICATE PURSUANT TO LOCAL BANKRUPTCY RULE 9022-1(C)**

I hereby certify that the foregoing Order has been endorsed and/or served on all necessary parties.

/s/ Robert Westermann

**EXHIBIT 1**

**Budget**

**HDL Inc.**  
**Cash Flow Forecast**  
**Weekly Summary - Reorganization**

(Dollars in Thousands)	Week 1 Proj 2015 6/13/15	Week 2 Proj 2015 6/20/15	Week 3 Proj 2015 6/27/15	Week 4 Proj 2015 7/4/15
Volume - Daily	1,824	1,824	1,824	1,808
Receipts				
Billings	\$ 2,585	\$ 2,585	\$ 2,585	\$ 1,926
	2,585	2,585	2,585	1,926
Operating Disbursements				
Vendors	(1,138)	(1,988)	(1,888)	(2,113)
Payroll	(1,640)	(125)	(1,640)	(125)
Commissions	-	-	-	-
Rent	-	-	-	-
Tax Payments	-	-	-	-
	(2,778)	(2,113)	(3,528)	(2,238)
Operating Cash Flow	(193)	472	(943)	(312)
Restructuring Disbursements				
Professional Fees	-	-	-	-
DIP Interest & Fees	-	(250)	-	-
Utility Deposits	-	-	-	-
	-	(250)	-	-
Net Cash Flow	\$ (193)	\$ 222	\$ (943)	\$ (312)
Cumulative Cash Flow				
Operating	\$ (193)	\$ 279	\$ (665)	\$ (976)
Net Cash Flow	(193)	29	(915)	(1,226)
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Book Cash				
Beginning	\$ 2,499	\$ 2,306	\$ 2,528	\$ 1,585
Net Cash Flow	(193)	222	(943)	(312)
Ending	\$ 2,306	\$ 2,528	\$ 1,585	\$ 1,273