



ENTERED
03/04/2015

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE:	§	
	§	
UNIVERSITY GENERAL HEALTH SYSTEM, INC., <u>et al.</u>,	§	Chapter 11
	§	
Debtors.¹	§	Case No. 15-31086
	§	
	§	Joint Administration Pending

**INTERIM ORDER (I) AUTHORIZING SECURED POST-PETITION
FINANCING ON A SUPER PRIORITY BASIS PURSUANT TO
11 U.S.C. §§363, 364, AND 507(B); (II) GRANTING RELIEF FROM THE AUTOMATIC
STAY PURSUANT TO 11 U.S.C. §362; (III) GRANTING RELATED RELIEF; AND (IV)
SCHEDULING A FINAL HEARING PURSUANT TO BANKRUPTCY RULE 4001**

This matter comes before the Court pursuant to the motion (the "Motion") dated February 27, 2015 of the debtors and debtors-in-possession in the above-captioned, jointly administered cases (collectively, the "Debtors"). In the Motion, pursuant to §§ 364 and 507(b) of Title 11 of the United States Code, 11 U.S.C. §§101, et seq. (as amended, the "Bankruptcy Code") and Rules 2002, 4001(c) and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Debtors request this Court's authorization for the Debtors to obtain post-petition financing (the "Post-Petition Financing") from MidCap Financial Trust ("MidCap") in the form of a secured revolving credit facility of up to an aggregate principal amount of \$16,000,000 (subject to borrowing availability), under the terms and conditions of that "Debtor

¹ The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: University General Health System, Inc. (2436), UGHS Autimis Billing, Inc. (3352), UGHS Autimis Coding (3425), UGHS ER Services, Inc. (6646), UGHS Hospitals, Inc. (3583), UGHS Management Services, Inc. (4100), UGHS Support Services, Inc. (3511), University General Hospital, LP (7964), and University Hospital Systems, LLP (3778).

in Possession Credit and Security Agreement” dated as of February 27, 2015, which is by this reference incorporated herein (as amended, supplemented or otherwise modified from time to time, the "New Loan Agreement" and, along with any promissory notes and all ancillary documents at any time executed in connection therewith, collectively, the "New Loan Documents").² In connection with the Post-Petition Financing, the Debtors request authorization (i) to grant MidCap, pursuant to Bankruptcy Code §§ 364(c) and (d), liens and security interests in all of the Collateral described in the New Loan Agreement to secure the Obligations under the New Loan Documents, including, without limitation, a continuing first priority lien and security interest with respect to all of the Debtors' Accounts; and (ii) to grant MidCap super-priority administrative expense status with respect to the Obligations under the New Loan Documents, with priority over any and all administrative expenses of the kinds specified in Bankruptcy Code §§503(b), 507(b) and 546(c) (other than as described below). The Debtors also request that a final hearing (the "Final Hearing") be scheduled by this Court to consider entry of a final order (the "Final Order") authorizing on a final basis, inter alia, the Post-Petition Financing. After due and sufficient notice of the Motion under the circumstances having been given; and a Preliminary Hearing on the Motion (the "Preliminary Hearing") having been held before this Court on March 4, 2015; and upon the entire record made at the Preliminary Hearing, including the Declaration of Edward T. Laborde, Jr. submitted in support of the Motion, and all other evidence and argument presented at the Preliminary Hearing; and this Court having found good and sufficient cause appearing therefor;

IT IS HEREBY FOUND AND CONCLUDED that:

² Terms not otherwise defined in this Order shall have the meaning ascribed to them in the New Loan Agreement.

A. On February 27, 2015 (the "Filing Date"), the Debtors each filed a voluntary petition for relief with this Court under Chapter 11 of the Bankruptcy Code (the "Bankruptcy Cases"). The Debtors are continuing in possession of their property, and operating and managing their businesses, as debtors-in-possession, pursuant to Bankruptcy Code §§1107 and 1108.

B. This Court has jurisdiction over the Bankruptcy Cases and the Motion pursuant to 28 U.S.C. §§157(b) and 1334. The Motion presents a core proceeding as defined in 28 U.S.C. §157(b)(2).

C. Prior to the Filing Date, certain of the Debtors³ entered into that certain Credit and Security Agreement, as amended, modified, or supplemented from time to time (collectively, the "Prepetition Credit Agreement"). The Prepetition Credit Agreement provided for (i) a secured revolving credit facility of up to an aggregate principal amount of \$22,500,000, and (ii) a secured term loan in the principal amount of up to \$4,000,000. (The Prepetition Credit Agreement, as amended, supplemented or otherwise modified prior to the Filing Date, together with all collateral and ancillary documents executed in connection therewith are referred to herein as the "Prepetition Loan Documents", and the principal, interest, fees, expenses and other amounts owing under the Prepetition Loan Documents are referred to herein as the "Prepetition Obligations"). The Prepetition Obligations are guaranteed by Debtor University General Health System, Inc. (the "Guarantor"). The Guarantor is an affiliate of the Debtors, and is also a Debtor in the Bankruptcy Cases.

³ University General Hospital, L.P., UGHS Hospitals, Inc., University Hospital Systems, LLP, UGHS Support Services, Inc., UGHS Autimis Billing, Inc., and UGHS Autimis Coding, Inc.

D. Computed as of February 27, 2015, the Debtors admit and stipulate that they are indebted to MidCap on the Prepetition Obligations in an unpaid principal amount in excess of \$14,840,000, plus accrued and accruing interest, costs, fees (including attorneys' fees), and other amounts chargeable under the Prepetition Loan Documents. The Debtors also admit and stipulate that as security for repayment of the Prepetition Obligations, MidCap holds valid, perfected, and enforceable liens and security interests in all of the collateral described in the Prepetition Credit Agreement and the other Prepetition Loan Documents, which includes, among other things, first priority liens and security interests in the Debtors' Accounts.

E. The Debtors do not have sufficient available sources of working capital and financing to carry on the operation of their businesses without the Post-Petition Financing. The ability of the Debtors to pay employees, maintain business relationships with vendors and suppliers, purchase new inventory, and otherwise care for their patients and finance their operations is essential to the Debtors' continued viability. In addition, the Debtors' critical need for financing is immediate. Without the Post-Petition Financing, the continued operation of the Debtors' businesses would not be possible, and serious and irreparable harm to the Debtors and their estates would occur. Serious and irreparable harm also could result to patients who depend on the Debtors and who may be unable to protect their interests. The preservation, maintenance, and enhancement of the going concern value of the Debtors, as well as the protection of others as described above, are of the utmost importance to a successful reorganization of the Debtors under Chapter 11 of the Bankruptcy Code.

F. Given the Debtors' current financial condition and capital structure, the Debtors are unable to sustain their operations with the use of cash collateral and are unable to obtain unsecured credit allowable under Bankruptcy Code §503(b)(1) as an administrative expense.

The Debtors are unable to obtain the post-petition financing that they need on terms more favorable than those provided in the New Loan Agreement. Without limiting the foregoing, necessary post-petition financing is not available to the Debtors without the Debtors granting the priming lien provided under the New Loan Agreement, and this Order.

G. To the extent that entities other than MidCap have validly perfected liens or security interests in the Debtors' Accounts (in which MidCap is granted a continuing first position lien and security interest under the New Loan Agreement and this Order) or any of the other Collateral, those entities' interests are adequately protected. Among other things, the Post-Petition Financing will enable the Debtors to continue operating their businesses, thereby preserving the value of the collateral for those other entities.

H. Based on the record before this Court (including the certificates of service that have been submitted by Debtors' counsel), the Court finds that sufficient and adequate notice under the circumstances of the Preliminary Hearing and the relief requested in the Motion has been given pursuant to Bankruptcy Code §§102(1) and 364(c), and Bankruptcy Rules 2002 and 4001(c).

I. Based on the record before this Court, it appears that the Post-Petition Financing has been negotiated in good faith and at arms-length between the Debtors and MidCap, and any credit extended and loans made to the Debtors ("DIP Loans") pursuant to the New Loan Agreement shall be deemed to have been extended, issued or made, as the case may be, in good faith as required by, and within the meaning of, Bankruptcy Code §364(e) and MidCap is entitled to the protections of Bankruptcy Code §364(e).

J. Based on the record before this Court, it appears that the terms of the Post-Petition Financing are fair and reasonable, reflect the Debtors' exercise of prudent business

judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration.

K. The Debtors have requested immediate entry of this Order pursuant to Bankruptcy Rule 4001(c)(2). The permission granted herein to enter into the Post-Petition Financing and obtain funds thereunder is necessary to avoid immediate and irreparable harm to the Debtors and their estates (and others as noted above). This Court concludes that entry of this Order is in the best interests of the Debtors' estates and creditors because its implementation, among other things, will allow for the availability to the Debtors of working capital which is necessary to sustain the operations of the Debtors' existing businesses and enhance the Debtors' prospects for successful reorganization.

L. Pursuant to Bankruptcy Code §§361 and 364, the interests of the holders of any liens (including setoff rights or similar charges) in the Debtors' Accounts which are primed by the Liens granted to MidCap are adequately protected under the facts and circumstances of these cases.

M. Each of the foregoing findings by the Court will be deemed a finding of fact if and to the full extent that it makes and contains factual findings and a conclusion of law if and to the full extent that it makes legal conclusions.

Based upon the foregoing findings and conclusions, and upon the record made before this Court at the Preliminary Hearing, and good and sufficient cause appearing therefor;

IT IS HEREBY ORDERED that:

1. The Motion is granted, subject to the terms and conditions set forth in this Order. All objections to the entry of this Order have either been resolved as stated on the record at the Preliminary Hearing, or shall be overruled.

2. The execution and delivery of the New Loan Agreement by the Debtors is hereby authorized and approved. Further, the Debtors are expressly authorized and empowered to execute and deliver to MidCap any other document of any kind required to be executed and delivered in connection with the New Loan Agreement. The Debtors are each authorized and obligated to comply with and perform all of the terms and conditions contained in the New Loan Agreement and other New Loan Documents, and the Debtors are each authorized and obligated to repay amounts owing, with interest and any other charges, to MidCap in accordance with and subject to the terms and conditions set forth in the New Loan Documents and this Order. The Debtors are further authorized and obligated to pay all fees and expenses, including, without limitation, all reasonable fees and expenses of professionals engaged by MidCap in accordance with the terms of the New Loan Agreement. The professional fees and expenses incurred by MidCap are not subject to the provisions of Bankruptcy Code §§327, 328, 329, 330 or 331, and will be paid pursuant to the New Loan Agreement without further order of this Court. All loans made under the New Loan Agreement and interest thereon, and all fees, costs, expenses, indebtedness, obligations and liabilities of the Debtors to MidCap under or in respect of the New Loan Documents and this Order are referred to herein as the "Obligations."

3. The Debtors are expressly authorized to borrow from MidCap, on the terms and subject to the conditions and limitations in availability set forth in the New Loan Documents and this Order, a total of up to \$16,000,000 of DIP Loans, on the terms set forth in the New Loan Documents. The Debtors are authorized to use the proceeds of the DIP Loans in the operation of the Debtors' businesses, provided that (i) the proposed borrowing is in compliance with the terms of the New Loan Agreement and this Order, and (ii) the Debtors' use of funds is in accordance with the budget prepared by the Debtors and approved by MidCap (the "Budget"), a copy of

which is attached hereto as Exhibit "A", so that the Debtors' use of funds does not exceed either the aggregate weekly amounts shown in the Budget, or, on a line item basis, 10% over the line item amount shown in the Budget, provided that individual line items for bankruptcy professional fees may vary from amounts stated in the Budget so long as the aggregate amount for bankruptcy professional fees does not exceed \$250,000 per month by more than 10% in any given month. The Debtors and Cambridge Properties ("Cambridge") agree that the Debtors shall pay rent for March 2015 within two (2) business days after entry of this Order pursuant to the terms of that certain lease by and between Cambridge and University Hospital Systems, LLP dated as of July 21, 2005 (as subsequently amended and including any related agreements, the "Lease"). Acceptance of any payments by Cambridge under this Order is without prejudice to Cambridge's rights to assert that the Lease was terminated prior to the Petition Date and the Debtors' and MidCap's rights to contest same and Cambridge, MidCap and the Debtors reserve all rights under the Lease and the related Landlord Agreement.

4. The Debtors shall maintain and comply with the existing cash management systems required and established pursuant to the Prepetition Credit Agreement, including, without limitation, all provisions concerning the Lockbox, Lockbox Account and Payment Account (owned by MidCap) set forth in the Prepetition Credit Agreement (as continued by the New Loan Agreement). The Debtors will continue to deposit, sequester, and segregate all of the proceeds from the Debtors' Accounts and other Collateral in the existing Lockbox as provided in the New Loan Agreement. All funds paid into the Lockbox shall be deposited into the related Lockbox Account, and then immediately transferred into the Payment Account. MidCap shall be entitled to apply all funds from the Payment Account as provided in the New Loan Agreement and this Order. Without limiting the foregoing in any way, the Debtors immediately and

continuously will direct their Account Debtors to send directly to the Lockbox all proceeds of Accounts of the Debtors.

5. As provided in the New Loan Agreement, MidCap is authorized to apply, on a daily basis, all funds transferred into the Payment Account to reduce permanently the outstanding Prepetition Obligations.

6. The Debtors hereby waive and release any right to, and shall be forever barred from any attempt to, object to, challenge or seek to avoid, the amount, validity, or enforceability of the Prepetition Obligations or MidCap's liens and security interests in the collateral securing the Prepetition Obligations.

7. In accordance with Bankruptcy Code §§364(c)(1) and 507(b), the Obligations shall constitute claims (the "Super-Priority Claims") with priority in payment over any and all administrative expenses of the kinds specified or ordered pursuant to any provision of the Bankruptcy Code, including, but not limited to, Bankruptcy Code §§105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b) and 546(c), and shall at all times be senior to the rights of the Debtors. No cost or expense of administration under Bankruptcy Code §§105, 364(c)(1), 503(b), 507(b) or otherwise, shall be senior to, equal to, or pari passu with, the Super-Priority Claims of MidCap arising out of the Obligations, subject only to the Carve-Out (defined below).

8. As security for the Obligations and for the Prepetition Obligations, and as provided in the New Loan Documents, MidCap shall have and is hereby granted (effective and continuing without the necessity of the execution, filing and/or recordation of mortgages, security agreements, patent security agreements, trademarks security agreements, pledge agreements, financing statements or otherwise), valid and perfected security interests and liens (the "Liens") in all present and after-acquired personal and real property of the Debtors and all of

their respective affiliates as described in the New Loan Agreement (defined in the New Loan Agreement as the "Collateral"); provided, however, that the Collateral does not include any avoidance actions pursuant to Bankruptcy Code §§ 544, 545, 547, 548, and 553(b) and any proceeds therefrom; and provided, further, that subject to the entry of the Final Order, the Collateral does not include the Debtors' interest in the leasehold under the Lease with Cambridge. The Liens in the Collateral held by or granted to MidCap as security for the Obligations and for the Prepetition Obligations shall have the following priority:

(a) MidCap's Liens in the Collateral in which MidCap holds existing first priority liens and security interests under the Prepetition Loan Documents (whether such Collateral was existing on the Filing Date or thereafter arises) shall continue as first priority, senior, perfected Liens securing the full amount of the Obligations and the Prepetition Obligations. Without limiting the foregoing, and notwithstanding any other provision of the New Loan Agreement or this Order, MidCap's Liens shall include, inter alia, first priority, senior, perfected liens and security interests in all of the Debtors' pre-petition and post-petition Accounts (as defined in the New Loan Agreement), and all proceeds therefrom.

(b) MidCap's Liens in the Collateral that is not otherwise encumbered by a valid and perfected, non-avoidable security interest or lien prior and superior to the liens and security interests held by MidCap under the Prepetition Loan Documents shall be first priority, senior, perfected Liens securing the Obligations and the Prepetition Obligations.

(c) MidCap's Liens in the Collateral in which any other creditor holds a valid and perfected, non-avoidable security interest or lien prior and superior to the liens and security interests held by MidCap under the Prepetition Loan Documents shall be perfected Liens securing the Obligations and the Prepetition Obligations junior only to such existing valid and perfected, non-avoidable security interest or lien in that Collateral (the "Prepetition Senior Liens").

(d) Pursuant to Bankruptcy Code Section 364(d)(1), MidCap's first priority Lien in pre-petition and post-petition Accounts of the Debtors (and proceeds therefrom) will be senior to

and prime any valid lien (if any) asserted by any Governmental Authority or any other creditor with respect to the Accounts of the Debtors.

9. The Liens and Super-Priority Claims granted to MidCap pursuant to the New Loan Agreement and this Order shall be subject only to the following (collectively, the "Carve-Out"):

(a) After the Termination Date of the New Loan Agreement (a "Carve-Out Event"), the payment of allowed professional fees and disbursements incurred by the professionals retained, pursuant to Bankruptcy Code §§327 or 1103(a), by the Debtors and any statutory committees, patient care ombudsman, trustee, examiner or other representative or professional appointed in the Bankruptcy Cases, and any unpaid fees of the United States Trustee, in an aggregate amount not to exceed \$250,000 (the "Professional Fees"), exclusive of any retainers already paid by the Debtors, and exclusive of any amounts funded to the Debtors pursuant to the New Loan Agreement which are held and segregated by the Debtors for payment of estate professionals. Of the \$250,000 carve-out for Professional Fees, a minimum of \$50,000 shall be specifically dedicated to any outstanding fees and expenses of Porter Hedges LLP.

(b) The Liens (but not the Super-Priority Claims) granted pursuant to this Order to MidCap shall be further subject and subordinate to the Prepetition Senior Liens to the extent they encumber assets other than the Debtors' Accounts.

(c) The Carve-Out will not be available to pay Professional Fees and/or disbursements incurred in connection with the assertion of any claims or causes of action against MidCap, including without limitation any avoidance action under Chapter 5 of the Bankruptcy Code, any objection or other challenge to the amount, validity or enforceability of any claims or liens of MidCap, or any discovery proceedings in anticipation thereof.

(d) The Carve-Out will not be available if and to the extent that the Debtors have other unencumbered or less than fully encumbered assets available to pay Professional Fees when such fees are approved by the Court for payment by a final, and non-appealable order .

Handwritten initials/signature

11 "Governmental Authority" as used in this Order means and includes any "governmental authority" as defined in Bankruptcy Code § 101(27) and specifically includes, without limitation, the federal and state agencies and their intermediaries administering the Medicare and Medicaid programs with which the Debtors deal.

(e) None of the DIP Loans or proceeds therefrom and none of the cash collateral subject to liens or security interests in favor of MidCap (notwithstanding the Carve-Out) may be used to fund, directly or indirectly, any effort to: (i) object to or contest in any manner, or raise any defenses to the validity, perfection, priority or enforceability of the Obligations owing to MidCap, or the liens in favor of MidCap securing such Obligations; (ii) object to or contest in any manner, or raise any defenses to the validity, perfection, priority or enforceability of the Prepetition Obligations owing to MidCap, or the liens in favor of MidCap securing the Prepetition Obligations; or (iii) assert any claims or causes of action against MidCap of any type, including, without limitation, any avoidance actions under Chapter 5 of the Bankruptcy Code, or any claim or cause of action against MidCap in its capacity as lender under the Post-Petition Financing, the Prepetition Credit Agreement or otherwise.

10. The Debtors have waived and released, and are barred from asserting a claim under Bankruptcy Code §506(c) for any costs and expenses incurred in connection with the preservation, protection or enhancement of, or realization by MidCap upon, the Collateral. MidCap will not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the Collateral. Upon entry of this Order, the post-petition Liens granted to MidCap on the Collateral by virtue of this Order and the New Loan Agreement will be (and hereby are) adjudicated as first, valid, and perfected as against all third parties (except for the holders of the Prepetition Senior Liens with respect to the Collateral other than the Debtors' Accounts), without regard to applicable federal, state, or local filing or recording statutes, nunc pro tunc as of the Filing Date, and without further action of any party, including MidCap; provided, that MidCap may, but need not, take such steps as it deems desirable and applicable to comply with such statutes, and all financing statements which are filed listing Debtors as debtor and MidCap as secured party, all mortgages or similar instruments which are filed granting to MidCap liens upon and security interests in Collateral shall be deemed to have been filed and the

security interest and liens evidenced thereby will be deemed perfected *nunc pro tunc* as of the Filing Date.

11. As long as any portion of the Obligations or the Prepetition Obligations remains unpaid, or any of the New Loan Documents or Prepetition Loan Documents remain in effect, the Debtors shall not request, and the Bankruptcy Court will not enter any Order approving or authorizing (under Bankruptcy Code §§105 or 364, or otherwise) (i) the granting of any lien or security interest in any of the Collateral in favor of any party other than MidCap, or (ii) the obtaining of credit or the incurring of indebtedness that is entitled to super-priority administrative status, in either case equal or superior to that granted to MidCap pursuant to this Order, unless, in connection with any transaction cited in clause (i) or (ii) of this Paragraph, such request by the Debtors seeks to authorize and direct and such Order requires that the full amount of the Obligations and the Prepetition Obligations shall first be paid indefeasibly and in full.

12. Prior to entry of a Final Order, and upon the occurrence of and during the continuance of an Event of Default, MidCap may, acting pursuant to the New Loan Agreement, and without further notice to or action by the Court, immediately cease making any DIP Loans to the Debtors, and charge a default rate of interest as provided in the New Loan Agreement. Upon entry of a Final Order, and upon the occurrence and during the continuance of an Event of Default, MidCap may, acting pursuant to the New Loan Agreement, exercise its rights and remedies and take all or any of the following actions without further relief from the automatic stay pursuant to Bankruptcy Code §362(a) or any other applicable stay or injunction (which will be modified by the Final Order), or further order of or application to this Court: (a) cease making DIP Loans to the Debtors; (b) declare the principal and accrued interest, fees, and other liabilities constituting the Obligations to be immediately due and payable; (c) take possession of

the Collateral and enforce rights against any Collateral in the possession of MidCap; (d) charge a default rate of interest as set forth in the New Loan Agreement; and (e) take any other action or exercise any other right or remedy permitted to MidCap under the New Loan Documents, this Order, or by operation of law. Notwithstanding modification of the stay, it shall not be terminated, and MidCap shall not complete the enforcement of its remedies, pending a final stay relief hearing before this Court which MidCap may obtain as an emergency hearing upon five (5) business days' notice. At such hearing, the Debtors or other parties in interest will have the limited right to challenge the occurrence of an Event of Default. The hearing will be limited strictly to the issue of whether an Event of Default has occurred. No other arguments or issues relating to MidCap's enforcement of its rights or remedies may be presented for adjudication by the Court and no other relief against MidCap may be requested. Pending the outcome of the hearing, MidCap will refrain from completing enforcement of its remedies with respect to the Collateral; provided, however, that, MidCap's rights to accelerate the Obligations and/or cease making DIP Loans shall not be delayed or otherwise limited and MidCap shall be entitled to take all actions which it considers, in good faith, to be necessary to protect against loss or diminution of its Collateral.

13. As provided in the New Loan Agreement, MidCap will provide DIP Loans to the Debtors only during the term of the New Loan Agreement (including any earlier termination thereof), under the terms and conditions set forth in the New Loan Agreement and this Order.

14. The Debtors are authorized to perform all acts, and execute and comply with the terms of such other documents, instruments and agreements in addition to the New Loan Documents, as MidCap may reasonably require, as evidence of and for the protection of the Obligations, or which otherwise may be deemed reasonably necessary by MidCap to effectuate

the terms and conditions of this Order and the New Loan Documents. The Debtors and MidCap are hereby authorized to implement, in accordance with the terms of the New Loan Agreement, any non-material modifications of the New Loan Agreement without further order of this Court.

15. Without limiting the rights of access and information afforded MidCap under the New Loan Documents, the Debtors shall be required to afford representatives, agents and/or employees of MidCap access to the Debtors' premises and their records in accordance with the New Loan Documents and shall cooperate, consult with, and provide to such persons all such non-privileged information and information not subject to a binding confidentiality agreement, as they may reasonably request. The Debtors shall also provide to MidCap, at the time filed or provided, all statements, schedules or financial reports which the Debtors file in the Bankruptcy Cases or provide to the United States Trustee in accordance with applicable Bankruptcy Rules, local bankruptcy rules, or guidelines of the United States Trustee.

16. The Debtors, and each of them, shall be liable for all Obligations and all Prepetition Obligations.

17. Based on the record presented, this Court has found that MidCap is extending credit and making DIP Loans to the Debtors in good faith. Accordingly, MidCap is entitled to the full protection of Bankruptcy Code §364(e) with respect to the Obligations and the Liens created, adjudicated or authorized by this Order in the event that this Order or any finding, adjudication, or authorization contained herein is stayed, vacated, reversed or modified on appeal. Any stay, modification, reversal or vacation of this Order shall not affect the validity and enforceability of any Obligations of the Debtors to MidCap incurred pursuant to this Order, or the validity, priority or enforceability of any of the Liens granted to MidCap under this Order. Notwithstanding any such stay, modification, reversal or vacation, all Liens granted under this

Order, all DIP Loans made pursuant to this Order in respect of the New Loan Agreement and all Obligations incurred by the Debtors pursuant hereto prior to the effective date of any such stay, modification, reversal or vacation shall be governed in all respects by the original provisions of this Order, and MidCap shall be entitled to all the rights, privileges and benefits, including without limitation, the liens, security interests and first priorities granted herein with respect to all such Obligations.

18. The provisions of this Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (a) confirming any plan of reorganization in the Bankruptcy Cases (and, to the extent not satisfied in full, the Obligations shall not be discharged by the entry of any such order, or pursuant to Bankruptcy Code §1141(d)(4), the Debtors having hereby waived such discharge); (b) converting any of the Bankruptcy Cases to a Chapter 7 case; or (c) dismissing any of the Bankruptcy Cases, and the terms and provisions of this Order as well as the Super-Priority Claims and Liens granted pursuant to this Order and the New Loan Documents shall continue in full force and effect notwithstanding the entry of such order, and such Super-Priority Claims and Liens shall maintain their priority as provided by this Order until all of the Obligations are paid indefeasibly and in full.

19. Any Plan of Reorganization filed by the Debtors (including, but not limited to, any amendment or modification of a Plan of Reorganization, whether before or after confirmation) shall provide for payment and performance in full of all of the Obligations on the earlier of the effective date or thirty (30) days after confirmation of the Plan of Reorganization. Nothing in the New Loan Agreement or this Order shall be construed as a consent by MidCap, or an approval by MidCap, of the terms of any Plan of Reorganization or any amendment or modification thereto.

20. As long as any portion of the Obligations remains unpaid, or any New Loan Document remains in effect, the Debtors shall not assume, and no Order shall be entered authorizing the assumption of, any provider agreements between the Debtors and any Governmental Authority without the prior written consent of MidCap.

21. Except as otherwise provided in this Order, pursuant to Bankruptcy Code §552(a), all property acquired by the Debtors after the Filing Date, including, without limitation, all Collateral pledged to MidCap pursuant to the New Loan Agreement and this Order, is not and shall not be subject to a lien of any other entity resulting from any security agreement entered into by the Debtors prior to the Filing Date or otherwise, except only to the extent that such property constitutes proceeds of property of the Debtors existing on or before the Filing Date.

22. MidCap shall be deemed to be a party-in-interest for all purposes in the Bankruptcy Cases with the right and opportunity to appear and be heard on all matters arising in the Bankruptcy Cases, including, without limitation, (i) the employment and payment of professionals by the Debtors' estates, (ii) the sale of any estate property, (iii) any plan of reorganization proposed in the Bankruptcy Cases, and (iv) any proposed conversion or dismissal of any of the Bankruptcy Cases.

23. The provisions of this Order shall be binding upon and inure to the benefit of MidCap, the Debtors, and their respective successors and assigns, including any trustee or other fiduciary hereafter appointed in the Bankruptcy Cases as a legal representative of the Debtors or their estates.

24. If there is any inconsistency between the terms of the New Loan Agreement and the provisions of this Order, the provisions of this Order shall control.

25. Within (5) five business days of entry of this Order, the Debtors shall mail a copy of this Order, and a Notice of the Final Hearing in a form acceptable to the Debtors and MidCap (the "Notice") to the Office of the United States Trustee, to all creditors (including, without limitation, the IRS and other taxing authorities) known to the Debtors who may have or assert liens, security interests or other charges or interests against the Debtors' assets, to all of the Debtors' landlords and mortgagees, to the United States Department of Justice, to the Department of Health and Human Services, to any state Medicaid agencies with which the Debtors deal, to the Debtors' thirty (30) largest unsecured creditors, to any other party or counsel that has filed a request for notices with this Court, and to counsel for any statutory committee of unsecured creditors appointed pursuant to Bankruptcy Code §1102. Any party in interest objecting to the Court's entry of a Final Order as requested by the Debtors shall file written objections with the United States Bankruptcy Court Clerk no later than 4:00 p.m. (Central Standard Time) on March 24 2015, which objections shall be served so that the same are received by the Court, the United States Trustee, counsel to the Debtors and counsel to MidCap on or before such date and time.

26. The notice provisions approved by the Court by entry of this Order shall constitute sufficient and adequate notice of the Final Hearing, and such notice shall be and hereby is adjudicated sufficient to provide due process to, and to bind, any other party asserting any lien, security interest, encumbrance, or other adverse interest of any kind (including setoff, other charge, recoupment, or any adverse claim) in any of MidCap's Collateral.

27. Upon entry of a Final Order, and to the extent there is any holder of a Prepetition Senior Lien in the Debtors' Accounts which is affected by the first and prior Lien in Accounts granted to MidCap under this Order, and that holder can demonstrate that it did not receive

actual or constructive notice of the Motion, the holder's sole and exclusive remedy is, and shall be limited to, requesting that other or additional adequate protection of its Prepetition Senior Lien in the Debtors' Accounts must be provided by the Debtors. The first priority liens in the Debtors' Accounts and all other rights granted to MidCap pursuant to this Order shall not be affected thereby in any way.

28. No later than the date seventy five (75) days after the Filing Date (the "Lookback Period"), any statutory committee (a "Committee") in the Bankruptcy Cases may object to, challenge, or seek to avoid the amount, validity, or enforceability of the Prepetition Obligations or MidCap's liens and security interests in the collateral securing the Prepetition Obligations. If no such action, objection or other challenge is commenced by a Committee within the Lookback Period, the Prepetition Obligations will be deemed and adjudicated finally and indefeasibly as valid and enforceable, MidCap's liens and security interests in the collateral securing the Prepetition Obligations will be deemed and adjudicated finally and indefeasibly as valid, enforceable and perfected liens and security interests in that collateral, and any affirmative claim(s) or cause(s) of action of any kind against MidCap with respect to the Prepetition Loan Documents, the Prepetition Obligations, or the liens and security interests securing the Prepetition Obligations, will be forever barred. The Debtors hereby waive and release, and shall be forever barred from asserting, any right to object to, challenge or seek to avoid, the amount, validity, or enforceability of the Prepetition Obligations or MidCap's liens and security interests in the collateral securing the Prepetition Obligations. Notwithstanding the foregoing, no objection or other action by any Committee or by any other party shall affect in any way the validity, enforceability or amount of the post-petition Obligations owing under the New Loan

Documents, or the validity, enforceability, perfection or priority of MidCap's Liens granted to MidCap under the New Loan Documents and this Order.

29. A Final Hearing to consider the Motion will be held before the Court on March 30, 2015 at 1:00 p.m.

30. The Court has and will retain jurisdiction to enforce this Order according to its terms.

Dated: March 4, 2015



**THE HONORABLE LETICIA Z. PAUL
UNITED STATES BANKRUPTCY JUDGE**

Admitis Payroll and Taxes	(89,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(89,000)
Admitis Operating Expenses	(40,000)	-	-	-	(40,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(120,000)
Replacement Rev Cycle Firm -- Billing, Coding Collection Fe	(33,000)	(30,498)	(40,000)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(416,549)
Commerical / Property Insurance	(146,500)	-	-	(146,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(439,500)
Sports costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment Plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Consultant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contractor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short Term Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Neweigh	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Erica Claims	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advisory Tax & Audit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	(14,744)	-	-	-	(14,744)	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,488)
Other Non-Operating Costs	(22,500)	-	-	-	(22,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	(67,500)
Subtotal - Non-Operating Costs	(219,500)	(119,498)	(30,498)	(216,998)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(30,498)	(1,156,037)
Transfers / Passthroughs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HOPD - Baytown Imaging, Steep, Surgical (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Transfers, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Transfers / Passthroughs	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(465,000)
Net Cash from Ops after Non-Operating Costs	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(797,861)
Restructuring / Non-Recuring Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fee Pool	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Restructuring / Non-Recuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash from Operations after Restructuring	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(797,861)
Cash Flow Reconciliation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning Cash Balance	335,154	604,593	221,951	766,454	210,712	82,958	605,540	530,315	116,069	8,610	96,191	476,663	79,162	-	-	-	-	-	335,154
Net Cash from Operations	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	(254,500)	2,368,898
Subtotal - Non-Operating Costs, Transfers	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(146,500)	(1,611,037)
Other One-time, Non-operating Receipts / Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chase account hold - unavailable funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funding / DIP Draw plus post collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	335,154	604,593	221,951	766,454	210,712	82,958	605,540	530,315	116,069	8,610	96,191	476,663	79,162	654,016	654,016	654,016	654,016	654,016	654,016