

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

Caption in Compliance with D.N.J. LBR 9004-2(c)
McCARTER & ENGLISH, LLP

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Proposed Attorneys to Nathan and Miriam Barnert
Memorial Hospital Association d/b/a Barnert
Hospital, Debtor-in-Possession
David J. Adler (DA-0048)
John G. Loughnane (JL-8040)

In the Matter of:

NATHAN AND MIRIAM BARNERT
MEMORIAL HOSPITAL ASSOCIATION d/b/a
BARNERT HOSPITAL,
Debtor-in-Possession.

Case No. 07- 21631

Judge: MORRIS STERN

Hearing Date: August 17, 2007

**INTERIM ORDER PURSUANT TO SECTION 363(c)(2)
OF THE BANKRUPTCY CODE AND RULE 4001 OF THE FEDERAL
RULES OF BANKRUPTCY PROCEDURE (1) AUTHORIZING DEBTOR
TO USE CASH COLLATERAL; (2) PROVIDING ADEQUATE
PROTECTION FOR USE OF CASH COLLATERAL; (3) GRANTING
RELATED RELIEF; AND (4) SCHEDULING A FINAL HEARING**

The relief set forth on the following pages, numbered two (2) through ten (10), is hereby

ORDERED.

Dated: August 17, 2007


MORRIS STERN
UNITED STATES BANKRUPTCY JUDGE

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Debtor: NATHAN AND MIRIAM BARNERT MEMORIAL HOSPITAL
ASSOCIATION d/b/a BARNERT HOSPITAL
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THIS MATTER having been opened to the Court by Motion of Nathan and Miriam Barnert Memorial Hospital Association d/b/a Barnert Hospital, the within debtor and debtor-in-possession (the "Debtor"), by and through its proposed counsel, McCarter & English, LLP, seeking entry of a Interim Order (i) Authorizing the Debtor's Use of Cash Collateral Pursuant to Section 363(c)(2) of title 11 of the United States Code (the "Bankruptcy Code") and Rule 4001 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"); (ii) providing adequate protection for Debtor's use of cash collateral; (iii) granting related relief and (iv) scheduling a final hearing (the "Motion"); and notice of the hearing on the Motion having been provided to all parties-in-interest in accordance with the Order Regarding Motion for Expedited Consideration of First Day Matters previously entered by the Court, as evidenced by the Affidavit of Service filed with the Court; and the Court having heard argument on the Motion on August 17, 2007, and having determined that compliance with the procedural requirements of the applicable Bankruptcy Code and Bankruptcy Rules have been met for Debtor's use of Cash Collateral; and good cause appearing for the entry of this Order;

IT APPEARING as follows:

A. Debtor-in-possession. On August 15, 2007 (the "Petition Date"), the Debtor filed a voluntary petition under chapter 11 of the Bankruptcy Code, thereby commencing this case (the "Chapter 11 Case"). Since that time, the Debtor has continued to manage its assets and

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operate its business as a debtor-in-possession pursuant to sections 1107 and 1108 of the
Bankruptcy Code.

B. Notice and Hearing. Notice of the Motion and of the preliminary hearing on the
Motion have been served in accordance with section 102(1) of the Bankruptcy Code and
Bankruptcy Rule 4001(b), which notice is appropriate in the particular circumstances and
sufficient for all purposes under the Bankruptcy Code and the applicable Federal and Local
Rules of Bankruptcy Procedure with respect to the relief requested.

C. Necessity. As demonstrated at the hearing, the orderly continuation of the
Debtor's business is dependent upon its ability to use cash collateral (as defined in 11 U.S.C.
363(a)) (the "Cash Collateral"), and that the Debtor is without sufficient funds to continue
operations without the use of Cash Collateral. Good and sufficient cause has been shown to
justify the granting of the relief requested herein.

D. Prepetition Indebtedness.

(a) Business. The Debtor is a New Jersey non-profit corporation that owns and operates a
hospital located at 680 Broadway, Paterson, New Jersey 07514 (the "Property"). The Debtor
was established and operates to serve the public interest by providing health care services to the
citizens of New Jersey.

1. (b) 1999 Financing. The New Jersey Health Care Facilities

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Financing Authority (the "Authority") was organized and it exists pursuant to the provisions of the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, Chapter 29, N.J.S.A. 26:21-1 et seq. (the "Act"). The Debtor entered into a Loan Agreement ("Loan Agreement") with the Authority dated as of January 1, 1999 (the "1999 Financing"). In connection with the 1999 Financing, the Debtor executed and delivered a Mortgage Note dated January 28, 1999 (the "Note") to the Authority in the principal amount of \$34,876,000 bearing interest at 3.78%. In addition, the Debtor executed and delivered a mortgage dated January 28, 1999 (the "Mortgage") and a security agreement dated January 28, 1999 (the "Security Agreement"; the Loan Agreement, the Note, the Mortgage and Security Agreement are referred to herein as the "Pre-Petition Loan Documents"). In connection with the Pre-Petition Loan Documents, a debt reserve fund was established (the "DRF"). As of the Petition Date, there is approximately \$2.1 million in the DRF. In the event that the Debtor fails to make a required payment under the Note, it is possible that funds in the DRF can be applied against that obligation to prevent a payment default.

(c) Collateral. Under the Pre-Petition Loan Documents, the Authority has liens and security interests upon "all building materials, equipment, furniture, furnishings, accounts receivable or other property installed or to be installed or used in and about the building or

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buildings now erected or hereafter to be erected upon the lands secured by the [Property]...”
(collectively, the “Collateral”).

As of the Petition Date, the Authority is asserting a claim against the Debtor in an amount in excess of \$30.6 million (the “Pre-Petition Debt”).

E. Good Faith. The Debtor’s use of the Cash Collateral and the replacement Post-Petition Liens for use of Cash Collateral are entered into by and between the Debtor and the Authority in good faith.

AND the Court having determined that there is a reasonable likelihood that the Debtor will prevail upon the merits at the Final Hearing of the Motion and for good cause shown,

IT IS HEREBY ORDERED as follows:

1. Jurisdiction. This Court has jurisdiction over the Chapter 11 Case and the parties and property affected hereby pursuant to 28 U.S.C. §§157(b)(2)(A), (D), (G) and (O) involving matters under, *inter alia*, 11 U.S.C. §§363(c)(2) of the Bankruptcy Code. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. Notice. Pursuant to sections 102(1) and 363(c) of the Bankruptcy Code and Bankruptcy Rules 2002 and 4001(b), the Debtor has provided due and sufficient notice of the Interim Hearing and the request for the relief set forth in the Motion and the relief granted in this

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Order, and no further notice of the request for the relief granted in this Order is required, as such notice is appropriate, adequate and proper under the circumstances of the Chapter 11 Case.

3. Purpose and Necessity. The relief requested in the Motion is necessary, essential and appropriate for the preservation of the Debtor's business and the management and preservation of its property. Good cause has been shown for the entry of this Order. Among other things, the Debtor has a critical need for the use of the Cash Collateral to operate on a daily basis. The preservation and maintenance of the going-concern value of the Debtor is of the utmost significance and importance to a successful reorganization pursuant to the provisions of Chapter 11 of the Bankruptcy Code. The terms of the use of the Cash Collateral authorized hereby are fair and reasonable under the circumstances. Entry of this Order is in the best interests of the Debtor, the estate and its creditors.

4. Budget. The Debtor is hereby authorized and empowered pending entry of the Final Order to use the Cash Collateral in the ordinary course of the business of the Debtor consistent with the provisions of this Order and with the budget (the "Budget") attached hereto as Exhibit "A".

5. Replacement Liens. In order (i) to adequately protect the Authority in connection with the Debtor's use of Cash Collateral (including the Debtor's use of the DRF on the terms set forth in the attached Budget), and (ii) to provide the Authority with adequate protection in

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respect of any diminution in the value of Collateral that is subject to Authority's security interest or lien as of the Petition Date, resulting from the stay imposed under section 362 of the Bankruptcy Code, or caused by the use of such Collateral by the Debtor, the Authority shall have and is hereby granted as of the Petition Date, (a) to the extent not heretofore granted or to the extent heretofore granted but rendered ineffective pursuant to section 552 of the Bankruptcy Code, a valid and perfected replacement security interest and lien, superior to all other claims of creditors of the estate of the Debtor, in and upon all assets of the Debtor's estates including, but not limited to, now existing and hereafter acquired personal property of the Debtor and its bankruptcy estate, of whatever kind or nature, wherever located, whether acquired prior to or after the filing of the petitions commencing the Chapter 11 Case, personal, real, tangible and intangible property, accounts receivable, contract rights, cash, instruments, inventory, chattel paper, vehicles, machinery and equipment, general intangibles (including tax refunds), customer lists, subscribers, the Debtor' (and their respective successors') documents, goods, furniture, fixtures, vehicles, and all products, proceeds, rents and profits of the foregoing, whether acquired by the Debtor prior to or after the commencement of the Chapter 11 Case, but excluding any causes of action, including but not limited to, pursuant to sections 510, 544, 546, 547, 548, 549 and 550 of the Bankruptcy Code (collectively, the "Post-Petition Collateral") to the extent of any

diminution in the value of the Authority's Collateral arising from such use. *Notwithstanding anything set forth herein to the contrary, the replacement liens granted herein shall ^{only} have the same validity and priority as the Pre-Petition Date liens and claims set forth in the Pre-petition Loan Documents.*

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6. Replacement Liens. Notwithstanding anything to the contrary set forth in paragraph 5 hereof, the security interests in and liens of the Authority upon the Post-Petition Collateral shall (a) not have priority over any Pre-Petition Date liens on the Debtor's property *provided, that*, such liens are valid, perfected and non-avoidable and have a priority over the Authority in accordance with applicable law as of the Petition Date; (b) not have priority over the fees and expenses of the professionals retained by the Debtor or any Committee to the extent allowed in the Budget and approved by the Bankruptcy Court, and (c) not have priority over any claims of the United States Trustee for fees and expenses pursuant to 28 U.S.C. § 1930 (collectively, the "Carve-Out").

7. Filing Not Required. The liens and security interest granted to Authority herein, to the extent of the Authority's allowed secured claim, shall be valid and perfected without the need for the execution or filing of any further document or instrument otherwise required to be executed or filed under non-bankruptcy law. Notwithstanding that no documents need be executed or filed to create or perfect the lien and security interest granted hereunder, the Debtor shall execute and deliver to Authority such further documents as Authority may reasonably request to evidence and give notice of the security interest granted hereunder, including, without limitation, UCC-1 Financing Statements or UCC-3 Statements of Change. If the Authority, in its sole discretion, shall choose to file such financing statements, security agreements or other

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instruments, or otherwise confirm perfection of such security interest and lien, all such financing statements or similar instruments shall be deemed to have been filed or recorded as of the Petition Date, and such filing shall not constitute a violation of the automatic stay.

8. Administrative Expense, Lien Status and Priority. To the extent that the adequate protection provided in this Order is ultimately determined to be insufficient, the Authority is hereby granted a superpriority administrative claim having priority in right of payment over any and all other obligations, liabilities and indebtedness of the Debtor, now in existence or hereafter incurred by the Debtor and over any and all administrative expenses or priority claims of the kind specified in, or ordered pursuant to, sections 326, 330, 331, 503(b), or 506(c) of the Bankruptcy Code pursuant to section 507(b) of the Bankruptcy Code, provided, however, that the Authority's superpriority administrative claim as provided herein shall be subordinate to any Carve-Out claims.

9. Consent. Entry of this Order shall be deemed a consent by the Authority to the Debtor's use of the Collateral, including Cash Collateral.

10. Good Faith. The Debtor's use of Cash Collateral and the terms of this Order have been negotiated in good faith and at arms' length between the Debtor and the Authority. The Authority is entitled to the full protection of the provisions of section 363(m) of the Bankruptcy Code with respect to the debts, obligations, liens and security interests created or authorized by

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this Order in the event that this Order or any other authority contained herein is vacated, reversed
or modified on appeal or otherwise by any court.

FINAL HEARING

1. IT IS FURTHER ORDERED, AND NOTICE IS HEREBY GIVEN that the Court shall conduct a hearing on Sep 25, 2007 at 10 o'clock in the forenoon to consider the Debtor's Motion for continued use of Cash Collateral. Any objections to the Debtor's continued use of Cash Collateral shall be filed with the Court and served upon counsel for the Debtor, counsel for the Authority and the Office of the United States Trustee no less than 5 business days prior to said hearing. If no objections are filed, then this Interim Order may continue in full force and effect and may be deemed a Final Order without further notice or hearing in accordance with Bankruptcy Rule 4001(d)(3).

NOTICE

IT IS FURTHER ORDERED that the Debtor shall cause copies of this Order to be served by First Class Mail, postage prepaid on the twenty largest unsecured creditors, the Office of the United States Trustee and all parties previously served with notice of the Motion within __ days of the entry of the within Order.

See attachment
re: Oversight Provision
See

OVERRIDING PROVISION

Notwithstanding anything to the contrary in this Order, or in any agreements or other documents filed in support of the issuance of this Order, no approval is given to any provision contained in this Order or supporting agreements or other documents which is an "Extraordinary Provision" (as that term is utilized in this Court's applicable Guidelines). Moreover, this is an Interim Order having only the limited binding effect anticipated in the ordinary course by the Guidelines. No substantial cause has been shown, nor compelling circumstances evidenced, nor reasonable notice given, to justify any Extraordinary Provisions or extended binding effect of or through this Interim Order.

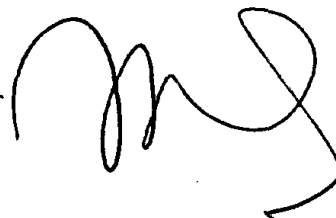
A handwritten signature in black ink, consisting of a series of loops and curves, positioned in the lower right quadrant of the page.

Exhibit "A"

**Barnert Hospital
Cash Flow Forecast**

Assume filing on Aug 15th

Cash Receipts:

	17-Aug BUDGET	24-Aug BUDGET	31-Aug BUDGET	7-Sep BUDGET	14-Sep BUDGET	21-Sep BUDGET	28-Sep BUDGET	TOTAL BUDGET
Medicare PIP	-	685,000.00	-	685,000.00	-	685,000.00	-	2,055,000.00
Medicare Non-PIP	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00	252,000.00
Medicaid	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	420,000.00
Blue Cross	44,765.00	44,765.00	44,765.00	44,765.00	44,765.00	44,765.00	44,765.00	313,355.00
Aetna US Health Care PIP	-	-	-	-	85,000.00	-	-	85,000.00
Americhoice PIP	-	-	-	-	94,000.00	-	-	94,000.00
Other Payor Cash Receipts	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	1,400,000.00
Other Cash Receipts	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	56,000.00
Charity Care/Subsidy Payments	209,404.75	-	-	-	209,404.75	-	-	418,809.50
Prison Receipts	100,000.00	-	-	-	100,000.00	100,000.00	-	300,000.00
Other Charity Care	-	-	-	-	467,014.00	-	-	467,014.00
Debt Reserve Fund ("DRF") Advance*	-	250,000.00	-	-	-	250,000.00	-	500,000.00
Projected AR Improvement	262,988.00	262,988.00	262,988.00	466,985.00	466,985.00	466,985.00	466,985.00	2,656,904.00
Adjustment for lower volume	(200,000.00)	(200,000.00)	(200,000.00)	(150,000.00)	(150,000.00)	(150,000.00)	(150,000.00)	(1,200,000.00)
Projected Acceleration	60,000.00	60,000.00	60,000.00	125,000.00	125,000.00	125,000.00	125,000.00	680,000.00
Total Cash Receipts	781,157.75	1,406,753.00	471,753.00	1,475,750.00	1,536,764.00	2,035,154.75	790,750.00	8,498,082.50

Cash Disbursements:

Payroll	825,000.00	600,000.00	917,000.00	600,000.00	825,000.00	600,000.00	917,000.00	5,284,000.00
Drugs and Supplies	139,675.86	104,320.97	371,073.08	54,968.40	120,000.00	139,675.86	365,394.05	1,295,108.22
Physician Fees	-	300,000.00	-	-	100,000.00	300,000.00	100,000.00	800,000.00
Contract Labor	42,906.00	5,000.00	36,948.00	4,652.79	36,000.00	12,906.00	35,000.00	173,412.79
Building and Equipment Rentals	-	-	17,000.00	-	-	-	17,000.00	34,000.00
Capital Leases	-	21,889.02	8,000.00	-	-	-	29,889.02	59,778.04
Insurance	-	225,000.00	-	-	-	-	225,000.00	450,000.00
Professional Fees	-	33,133.00	-	-	-	-	-	33,133.00
Third Party Liability Repayments	-	-	-	-	-	-	-	-
McCarter & English	200,000.00	-	-	-	100,000.00	-	-	300,000.00
Other Debtor Professionals	-	-	-	-	-	-	-	-
Other Estate Professionals	-	-	-	-	30,000.00	-	-	30,000.00
Betts & Associates	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	350,000.00
Other Cash Disbursements**	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	420,000.00
Contingency Funds***	-	200,000.00	150,000.00	100,000.00	50,000.00	-	-	500,000.00
Total Cash Disbursements	1,317,581.86	1,599,342.99	1,610,021.08	869,621.19	1,371,000.00	1,162,581.86	1,799,283.07	9,229,432.05

NET CASH FLOW	(536,424.11)	(192,589.99)	(1,138,268.08)	606,128.81	165,764.00	872,572.89	(1,008,533.07)	(731,349.55)
BEGINNING CASH****	705,622	1,570,240.31	1,377,650	239,382	845,511	1,011,275	1,883,848	1,883,848
ENDING CASH	169,198	1,377,650	239,382	845,511	1,011,275	1,883,848	875,315	875,315
DAYS CASH ON HAND	0.71	5.81	1.01	3.45	4.12	7.68	3.57	3.57
Charity Care Advance*****	1,401,042.00	-	-	-	-	-	-	1,401,042.00
Debt Reserve Fund	-	-	-	-	-	-	-	-
Projected Ending Cash	1,570,240.31	1,377,650.32	239,382.24	845,511.05	1,011,275.05	1,883,847.94	875,314.87	875,314.87

*HUD has agreed to advance \$250K per month for three months (payments to be made on weeks of Aug 24th and Sept 21st reflected in this Budget - payment on week of Oct 19th not reflected herein) provided that the requests are supported by documentation acceptable to HUD that immediate release is needed for the continued operation of the facility. In addition, during this period, the three debt service payments to the Authority will be made from the DRF.

** This category includes expected cash disbursements in the ordinary course

*** This amount is requested to deal with demands from Vendors/Utilities/Other Parties

**** The \$705K may not be the starting cash position if the Phoenix levy remains in place

*****The Department of Health and Senior Services has agreed to advance Charity Care for two months (April and May 2008) in addition to the regular payment due on the week of 8/17

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

CERTIFICATE OF SERVICE

District/off: 0312-2
Case: 07-21631

User: zhaywood
Form ID: pdf903

Page 1 of 1
Total Served: 2

Date Rcvd: Aug 17, 2007

The following entities were served by first class mail on Aug 19, 2007.

db +Nathan and Miriam Barnert Memorial Hospital, 680 Broadway, Paterson, NJ 07514-1472
aty +David J. Adler, McCarter & English, LLP, Four Gateway Center, 100 Mulberry St.,
Newark, NJ 07102-4056

The following entities were served by electronic transmission.

NONE. TOTAL: 0

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

NONE. TOTAL: 0

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

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

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

Date: Aug 19, 2007

Signature:

