



2040 E Mariposa Avenue
El Segundo, CA 90245

June 14, 2019
Via Email and U.S. Mail

Scott Chan
Deputy Attorney General
California Department of Justice
Office of the Attorney General
455 Golden Gate Avenue, Suite 11000
San Francisco, CA 94102
Scott.Chan@doj.ca.gov

Alicia Berry
Deputy Attorney General
California Department of Justice
Office of the Attorney General
300 South Spring Street, Suite 1702
Los Angeles, CA 90013
Alicia.Berry@doj.ca.gov

RE: Verity Health System of California, Inc.
Pending Notice of and Request for Consent to Proposed Transfer of St. Francis
Medical Center, St. Vincent Medical Center, and Seton Medical Center

Dear Mr. Chan and Ms. Berry:

We received your letter, dated today, explaining that the Office of the Attorney General of California ("Attorney General") will be taking an extended period of time to review the above referenced May 2019 Notice and Request for Consent ("Notice") for the proposed sale of the assets of St. Francis Medical Center, St. Vincent Medical Center and Seton Medical Center (collectively, the "Hospitals") to Strategic Global Management, Inc. and/or one or more of its affiliates (the "Transaction").

Verity Health System of California, Inc. ("Verity") and its affiliated companies formally request that the Attorney General timely review the Notice, within 90 days of May 13, 2019 (the date the Notice was complete) and issue any conditions by August 11, 2019.

We understand from your letter that instead of providing a timely review within the initial 90-day review period under 11 Cal. Code of Reg. § 999.5(e)(1) (i.e., until August 11, 2019), the Attorney General will be extending his review for an additional 45 days under 11 Cal. Code of Reg. § 999.5(e)(2) (i.e., until September 25, 2019). **The Attorney General's extended review period will cost Verity and its creditors over \$20 Million.** Specifically, even after the sale of O'Connor Hospital and Saint Louise Regional Hospital to Santa Clara County, **Verity's cash loss rate remains approximately \$450,000 per day.** We anticipate the actual burn rate in the coming months to be higher since the Hospitals will receive significantly lower supplemental payments during the period from June through September 2019.

Consequently, we respectfully request that the Attorney General review the Transaction within 90 days of May 13, 2019, which will help ensure that the Hospitals remain open and operating to provide critical access to medical care and save approximately 4,500 jobs for hard working nurses, healthcare workers



and other employees, while simultaneously preserving funds for Verity's creditors. We believe review and resolution within the 90-day period is realistic given that these Hospitals were recently evaluated by the Attorney General's expert in 2015 and the expert has been working on his update for this Transaction since May 2019. Enclosed herein is a proposed timeline, which if honored by the Attorney General, would allow the conditions to be issued by August 11, 2019. We respectfully request agreement to meet this timeline.

In connection with the request that the Attorney General review the transaction within 90 days of May 13, 2019, we also request the opportunity to promptly meet in person with the both of you and Sean McCluskie, Chief Deputy Attorney General, to help expedite your review of the pending Notice and Verity's requested modifications to the existing conditions.

Thank you for your ongoing efforts in reviewing the Transaction.

Sincerely,

A handwritten signature in blue ink, appearing to read 'EDP', with a long horizontal flourish extending to the right.

Elspeth D. Paul
General Counsel

Enclosure

Verity Proposed Timeline

