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CHANGES MADE BY COURT

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

In re
VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,
Debtors and Debtors In Possession.

Lead Case No. 2:18-20151-ER _____
Chapter 11

ORDER GRANTING EMERGENCY MOTION OF DEBTORS FOR AUTHORITY TO: (1) CONTINUE USING EXISTING CASH MANAGEMENT SYSTEM, BANK ACCOUNTS AND BUSINESS FORMS; (2) IMPLEMENT CHANGES TO THE CASH MANAGEMENT SYSTEM IN THE ORDINARY COURSE OF BUSINESS; (3) CONTINUE INTERCOMPANY TRANSACTIONS; (4) PROVIDE ADMINISTRATIVE EXPENSE PRIORITY FOR POSTPETITION INTERCOMPANY CLAIMS; AND (5) OBTAIN RELATED RELIEF

- Affects All Debtors
- Affects Verity Health System of California, Inc.
- Affects O'Connor Hospital
- Affects Saint Louise Regional Hospital
- Affects St. Francis Medical Center
- Affects St. Vincent Medical Center
- Affects Seton Medical Center
- Affects O'Connor Hospital Foundation
- Affects Saint Louise Regional Hospital Foundation
- Affects St. Francis Medical Center of Lynwood Foundation
- Affects St. Vincent Foundation
- Affects St. Vincent Dialysis Center, Inc.
- Affects Seton Medical Center Foundation
- Affects Verity Business Services
- Affects Verity Medical Foundation
- Affects Verity Holdings, LLC
- Affects De Paul Ventures, LLC
- Affects De Paul Ventures - San Jose Dialysis, LLC

Emergency Hearing:
Date: September 5, 2018
Time: 10:00 a.m.
Place: Courtroom 1568
U.S. Bankruptcy Court
Los Angeles, CA 90012
Judge: Hon. Ernest M. Robles

Debtors and Debtors In Possession.

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The Emergency Motion of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany Transactions; (4) Provide Administrative Expense Priority for Postpetition Intercompany Claims; and (5) Obtain Related Relief (the “Emergency Motion”)¹ [Docket No. 23] came on for hearing before the Honorable Ernest M. Robles, United States Bankruptcy Judge, in Courtroom 1568, United States Bankruptcy Court, 255 East Temple Street, Los Angeles, California 90012. The appearances at the hearing are as set forth on the record of the proceeding.

Having considered the Emergency Motion, the accompanying Memorandum of Points and Authorities in support of the Emergency Motion, and the Declaration of Richard G. Adcock in support of the Emergency Motion, the arguments of counsel at the hearing, and good cause appearing therefor,

IT IS HEREBY ORDERED that notice of the Emergency Motion was appropriate under the circumstances and in compliance with the Bankruptcy Code, Bankruptcy Rules, and Local Bankruptcy Rules.

IT IS FURTHER ORDERED that the Emergency Motion is granted on an interim basis as set forth herein and as set forth in the Court’s record and tentative ruling.

IT IS FURTHER ORDERED that:

1. The Debtors are authorized and empowered pursuant to sections 105(a), 363, 364, 503 and 507 to continue using their integrated cash management system described in the Motion (the “Cash Management System”) and to collect, concentrate, and disburse cash in accordance with the Cash Management System, including intercompany funding among Debtors and Debtor affiliates; provided that such actions are not prohibited or restricted by the terms of any debtor in possession financing (“DIP”) and/or cash collateral orders or agreements (each, a “DIP Document”);

2. The Debtors are authorized to implement changes to their Cash Management System in the ordinary course of business, including closing any existing bank accounts or

¹ Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Emergency Motion.

opening any new bank accounts (collectively, the “Bank Accounts”) as they may deem necessary and appropriate in their sole discretion; provided that such actions are not prohibited or restricted by the terms of any DIP Document; and provided further that any such new account is (i) with a bank that is (A) insured with the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation and (B) designated as an authorized depository pursuant to the UST Guidelines, and (ii) the Debtors provide notice to the U.S. Trustee of the opening of such account;

3. The Debtors are authorized to, subject to the terms of the DIP Documents, (i) continue to use, with the same account numbers, all of the Bank Accounts in existence as of the Petition Date, including those Accounts identified on **Exhibit A** to the Motion; and (ii) treat the Bank Accounts for all purposes as accounts of the Debtors as debtors in possession;

4. The Debtors are authorized to continue to use, in their present form, all correspondence and business forms, as well as checks and all other documents related to the Bank Accounts (collectively, the “Business Forms”) existing immediately before the Petition Date, without reference to the Debtors’ status as debtors in possession, until existing stock is exhausted; provided that in the event the Debtors generate new Business Forms during the pendency of these chapter 11 cases, such Business Forms shall include a legend referring to the Debtors as “Debtors in Possession,” and, to the extent practicable, the Debtors shall print such legend on any Business Forms electronically generated during these cases;

5. The Debtors are authorized and empowered to continue performing under and honoring intercompany transactions related to the Cash Management System in the ordinary course of business, in their business judgment and in their sole discretion subject to the terms of the DIP Documents; provided that the Debtors shall not be authorized to undertake any such intercompany transactions that are (i) not on the same terms as, or materially consistent with, the Debtors’ operation of their business in the ordinary course during the prepetition period, or (ii) prohibited or restricted by the terms of any DIP Document; provided further that the Debtors shall (i) keep records of any postpetition intercompany transactions that occur during the chapter 11

cases and (ii) implement accounting procedures to identify and distinguish between prepetition and postpetition intercompany transactions;

6. In accordance with sections 364(b), 503(b)(1) and 507(a)(2) of the Bankruptcy Code, all intercompany claims arising after the Petition Date based upon transfers made using the Cash Management System shall be accorded administrative expense priority;

7. Except as otherwise provided in this Order, all banks at which the Bank Accounts are maintained (collectively, the “Banks”) are authorized and directed to continue to maintain, service and administer the Bank Accounts as accounts of the Debtors as debtors in possession, without interruption and in the ordinary course of business, and to receive, process, honor and pay any and all checks, drafts, wires, and ACH payments issued by the Debtors and drawn on the Bank Accounts after the Petition Date – whether issued before or after the Petition Date – to the extent the Debtors have sufficient funds standing to their credit with such Bank;

8. To the extent any Banks have frozen any of the Bank Accounts, the Banks – including Bank of America and Wells Fargo – are authorized and directed to **immediately** unfreeze the Debtors’ Bank Accounts;

9. In the event the Banks refuse to honor a check drawn or a transfer made on an Account maintained by it (provided there are sufficient good funds in the account to complete the transfer), the Banks are authorized and directed to immediately turn over the deposits held in the applicable Account upon the Debtors’ request;

10. The Banks are authorized to charge and the Debtors are authorized to pay and honor, both prepetition and postpetition service and other fees, costs, charges, and expenses to which the Banks may be entitled under the terms of and in accordance with their contractual arrangements with Debtors (collectively, the “Service Charges”);

11. Each of the Debtors’ Banks is authorized to debit the Debtor’s accounts in the ordinary course of business without need for further order of this Court for: (i) all checks, items, and other payment orders drawn on the Debtor’s accounts which are cashed at such Bank’s counters or exchanged for cashier’s checks by the payees thereof prior to the Bank’s receipt of notice of filing of the Petition; (ii) all checks, automated clearing house entries, and other items

deposited or credited to one of Debtor's accounts with such Bank prior to filing of the Petition which have been dishonored, reversed, or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent the Debtor was responsible for such items prior to filing of the Petition; and (iii) all undisputed prepetition amounts outstanding as of the date hereof, if any, owed to any Bank as service charges for the maintenance of the Cash Management System;

12. For the avoidance of doubt, each Bank is authorized to honor all items presented against the Bank Accounts, whether originated prepetition or postpetition and whether or not authorized by other orders.

13. Any of the Debtor's Banks may rely on the representations of the Debtors with respect to whether any check, item, or other payment order drawn or issued by the Debtors prior to filing of the Petition should be honored pursuant to this or any other order of this Court and the DIP Documents, and such Bank shall not have any liability to any party for relying on such representations by the Debtor as provided for herein.

14. Those certain existing deposit agreements between the Debtor and each of the Banks shall continue to govern the postpetition cash management relationship between the Debtors and the Banks, and all of the provisions of such agreements, including, without limitation, the termination and fee provisions, shall remain in full force and effect, in accordance with the terms of any DIP Document.

15. The Debtors and the Banks may, without further Order of this Court, agree to and implement changes to the Cash Management System and procedures in the ordinary course of business, including, without limitation, the opening and closing of bank accounts, subject to the terms of any DIP Document.

16. The relief, rights, and responsibilities provided for in this Order shall be deemed to apply to any and all Bank Accounts maintained in the Debtors' names, including any new bank accounts, whether or not such Bank Accounts are identified on **Exhibit A** to the Motion, and any Banks at which new accounts are opened shall be subject to the rights and obligations of this Order;

17. Nothing contained in the Motion or this Interim Order, nor any payment made pursuant to the authority granted by this Interim Order, is intended to be or shall be construed as (i) an admission as to the validity of any claim against the Debtors, (ii) a waiver of the Debtors' or any appropriate party in interest's rights to dispute the amount of, basis for, or validity of any claim against the Debtors, (iii) a waiver of any claims or causes of action which may exist against any creditor or interest holder, or (iv) an approval, assumption, adoption, or rejection of any agreement, contract, lease, program, or policy between the Debtors and any third party under section 365 of the Bankruptcy Code;

18. Nothing herein shall create, nor is intended to create, any rights in favor of or enhance the status of any claim held by any party;

19. Notwithstanding anything to the contrary contained herein, any payment made or to be made under this Order, and any authorization contained in this Order, shall be in compliance with and subject to the terms and conditions of any DIP Documents;

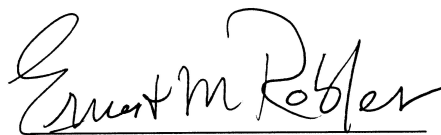
20. The Debtors are authorized to take all action necessary to effectuate the relief granted in this Order;

21. The Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and/or enforcement of this Interim Order;

IT IS FURTHER ORDERED that final hearing on the Emergency Motion is continued to October 3, 2018, at 10:00 a.m., with any opposition due by September 19, 2018, and any reply by the Debtors due by September 26, 2018.

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Date: September 5, 2018



Ernest M. Robles
United States Bankruptcy Judge