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Proposed Attorneys for the Chapter 11 Debtors and
Debtors In Possession

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

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

Debtor and Debtor In Possession.

- ☒ 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 Medical 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

Debtors and Debtors In Possession.

VERITY HEALTH SYSTEM OF CALIFORNIA, INC.,
et al.,

Debtors and Debtors In Possession,
Plaintiffs,

v.

OLD REPUBLIC INSURANCE COMPANY and CITY
NATIONAL BANK,

Defendants.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered With:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases

Hon. Judge Ernest M. Robles

**STIPULATION BETWEEN THE DEBTORS AND
OLD REPUBLIC INSURANCE COMPANY
REGARDING INJUNCTION RELATED TO
LETTER OF CREDIT**

Adv. Proc. No. 2:18-ap-01277-ER

Hearing:

Date: September 12, 2018

Time: 10:00 am Pacific

Location: Courtroom 1568

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Verity Health System of California ("VHS") and the above-referenced affiliated debtors, the debtors and debtors-in-possession (collectively, the "Debtors") in the above captioned Chapter 11 bankruptcy cases (the "Chapter 11 Cases") and Old Republic Insurance Company ("Old Republic" and collectively with the Debtors, the "Parties" and each a "Party"), by and through their respective undersigned counsel, hereby stipulate and agree:

RECITALS

WHEREAS, on August 31, 2018 (the "Petition Date"), the Debtors each filed a voluntary petition for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court Central District of California (the "Bankruptcy Court"), commencing the Chapter 11 Cases.

WHEREAS, on August 31, 2018, the Debtors filed their *Emergency Motion For Entry Of An Order (I) Authorizing The Debtors To (A) Maintain Insurance Program, (B) Pay Insurance Premiums In The Ordinary Course And (C) Pay All Obligations Associated Therewith; And (Ii) Preventing Insurance Companies From Enforcing Ipso Facto Clauses Or Giving Any Notice Of Termination Or Otherwise Modifying Any Insurance Policy Without Obtaining Relief From The Automatic Stay* [Docket No. 24] (the "Insurance Coverage Motion"). The Bankruptcy Court granted the Insurance Coverage Motion at a hearing on September 5, 2018; an order was entered on September 7, 2018, granting the Insurance Coverage Motion [Docket No. 131].

WHEREAS, on August 31, 2018, the Debtors filed their *Emergency Motion Of Debtors For Entry Of Order: (I) Authorizing The Debtors To (A) Pay Prepetition Employee Wages And Salaries, And (B) Pay And Honor Employee Benefits And Other Workforce Obligations; And (II) Authorizing And Directing The Applicable Bank To Pay All Checks And Electronic Payment Requests Made By The Debtors Relating To The Foregoing* filed by Debtor Verity Health System of California, Inc. [Docket No. 22] (the "Employee Wage Motion"). The Bankruptcy Court granted the Employee Wage Motion at a hearing on September 5, 2018; an order was entered on September 5, 2018, granting the Employee Wage Motion (the "Employee Wage Order") [Docket No. 75]. The Employee Wage Order authorized the Debtors to continue to honor their workers' compensation insurance obligations.

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1 WHEREAS, on August 31, 2018, the Debtors filed a Complaint commencing an
2 Adversary Proceeding (the "Adversary Complaint") against Old Republic and City National Bank
3 (the "Bank") initiating Adversary Proceeding No. 18-01277 (the "Adversary Proceeding").

4 WHEREAS, prior to the Petition Date and currently, Old Republic is a workers'
5 compensation insurer for one or more of the Debtors pursuant to a certain Workers' Compensation
6 and Employers Liability Insurance Policy (the "Workers' Compensation Policy").

7 WHEREAS, the Workers' Compensation Policy requires the Debtors to provide Old
8 Republic with a letter of credit as security for the Debtors' obligations under Workers'
9 Compensation Policy.

10 WHEREAS, pursuant to the Workers' Compensation Policy, at the Debtors direction, the
11 Bank has issued an irrevocable letter of credit in the amount of \$34,087,296 with Old Republic as
12 the named beneficiary (the "Letter of Credit").

13 WHEREAS, to date the Letter of Credit has not been drawn on by Old Republic (in whole
14 or in part).

15 WHEREAS, the Adversary Complaint seeks to enjoin Old Republic from drawing on the
16 Letter of Credit in certain circumstances and seeks to enjoin the Bank from honoring any such
17 draw.

18 WHEREAS, the Debtors filed an *Ex Parte Emergency Motion for Temporary Restraining*
19 *Order Without Notice and Preliminary Injunction Enjoining Defendants From Making Certain*
20 *Draws on a Letter of Credit; Memorandum of Points and Authorities and Declarations in Support*
21 *Thereof* (Adv. Docket. No. 3) (the "Motion for TRO").

22 WHEREAS, on August 31, 2018, the Court granted the Motion for TRO and entered an
23 order temporarily enjoining Old Republic from drawing on the Letter of Credit in certain
24 circumstances and enjoining the Bank from honoring any such draw (Adv. Docket. No. 4) (the
25 "TRO Order").

26 WHEREAS, Old Republic disputes some of the factual allegations made by the Debtors in
27 the Adversary Complaint and the Motion for TRO and disputes that the Debtors are entitled to any
28

1 injunctive relief because, for among other reasons, the Letter of Credit and any proceeds are not
2 property of the Debtors' estates.

3 WHEREAS, the Parties seek to attempt to resolve their disputes amicably through good
4 faith negotiations.

5 WHEREAS, during such negotiations the Parties agree and stipulate the Order below in
6 order to keep the status quo.

7 **NOW, THEREFORE**, the Parties hereby, by their respective undersigned counsel,
8 stipulate and agree:

9 IT IS HEREBY STIPULATED:

10 1. The TRO Order is dissolved without prejudice. The instant Stipulation shall govern
11 the dispute between the Parties.

12 2. Old Republic shall not draw on the Letter of Credit based upon the Debtors'
13 insolvency or bankruptcy.

14 3. Other than as set forth in the next paragraph, Old Republic may draw on the Letter
15 of Credit to the extent needed to reimburse Old Republic for any amounts due to Old Republic, if
16 not first paid by or on behalf of the Debtors in the ordinary course. Old Republic shall provide
17 five (5) business days written notice to the Debtors prior to drawing on the Letter of Credit
18 pursuant to this Paragraph.
19

20 4. Old Republic may draw on the Letter of Credit only in full if the Letter of Credit is
21 not renewed and replacement security is not furnished prior to its expiration. No written notice to
22 the Debtors is required for Old Republic to draw on the Letter of Credit under this Paragraph.
23

24 5. The restrictions contained in this Order shall be effective through September 30,
25 2018, unless before September 30, 2018, the Court extends this deadline for good cause or the
26 Parties agree to an extension in writing. The Parties may extend the September 30, 2018 deadline
27 by written agreement and without further Order of this Court.
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6. The deadline for the defendants in the instant adversary proceeding to answer or otherwise plead shall be on or before October 21, 2018.

7. The Parties expressly reserve all rights and arguments with respect to any factual or legal issue raised in the Adversary Complaint or Motion for TRO.

8. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order are immediately effective and enforceable upon its entry.

AGREED TO BY:

Dated: September 18, 2018

DENTONS US LLP
SAMUEL R. MAIZEL

By 
Samuel R. Maizel

Proposed Attorneys for Verity Health System of
California, Inc. and related affiliates

Dated: September __, 2018

FOX SWIBEL LEVIN & CARROLL LLP
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By _____
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7
8
9

10 AGREED TO BY:

11 Dated: September __, 2018

DENTONS US LLP
SAMUEL R. MAIZEL

12
13
14 By _____
15 Samuel R. Maizel

16 Proposed Attorneys for Verity Health System of
17 California, Inc. and related affiliates

18 Dated: September 11, 2018

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