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7 *MOB Financing II LLC*

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **LOS ANGELES DIVISION**

11 In re
12 VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *ET AL.*,

13
14 Debtors.

CASE NO. 2:18-bk-20151-ER
Jointly Administered
Chapter 11 Cases

**RESERVATION OF RIGHTS OF VERITY
MOB FINANCING LLC AND VERITY
MOB FINANCING II LLC WITH
RESPECT TO PROPOSED FINAL DIP
ORDER**



1 Verity MOB Financing LLC and Verity MOB Financing II LLC (collectively, "MOB
2 Financing Entities"), with respect to the MOB Financing,¹ hereby submit this reservation of rights
3 with respect to the *Emergency Motion of Debtors for Interim and Final Orders (A) Authorizing*
4 *the Debtors to Obtain Post Petition Financing, (B) Authorizing the Debtors to Use Cash*
5 *Collateral, and (C) Granting Adequate Protection to Prepetition Secured Creditors Pursuant to*
6 *11 U.S.C. §§ 105, 363, 364, 1107 and 1108* [Docket No. 31] (the "DIP Motion") and the
7 *Objection to Motion of Debtors for Interim and Final Orders (A) Authorizing the Debtors to*
8 *Obtain Post Petition Financing, (B) Authorizing the Debtors to Use Cash Collateral, and (C)*
9 *Granting Adequate Protection to Prepetition Secured Creditors Pursuant to 11 U.S.C. §§ 105,*
10 *363, 364, 1107 and 1108* [Docket No. 292] (the "Objection") filed by UMB Bank, N.A., as
11 successor master indenture trustee (the "Master Trustee"), and Wells Fargo Bank, National
12 Association, as indenture trustee for the Series 2005 Bonds (the "Series 2005 Trustee"), and
13 respectfully state as follows:

14 **JURISDICTION AND VENUE**

- 15 1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and
16 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).
- 17 2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

18 **BACKGROUND**

- 19 3. On September 5, 2018, the Court held a hearing on the DIP Motion. On
20 September 6, 2018, the Court entered the *Interim Order (I) Authorizing Postpetition Financing,*
21 *(II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority*
22 *Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic*
23 *Stay, and (VI) Granting Related Relief* [Docket No. 86] (the "Interim DIP Order"). The Interim
24 DIP Order was the result of negotiations between the various lenders, including the MOB
25 Financing Entities.

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¹ Terms not otherwise defined herein shall have the meaning ascribed in the DIP Motion
or Interim DIP Order (as defined herein).

1 4. Subject to the protections that the MOB Financing Entities are entitled to receive
2 as perfected prepetition secured creditors, including without limitation, adequate protection for
3 priming liens being granted to the DIP Lender and the use, sale or lease of Prepetition Collateral,
4 including Cash Collateral, the MOB Financing Entities supported the entry of the Interim DIP
5 Order approving the DIP Facility. The MOB Financing Entities continue to support the relief
6 requested by the Debtors in the form of the revised proposed Final Order attached as Exhibit 1 to
7 the *Omnibus Supplemental Reply Of Debtors' To The Objections To The Debtors' Motion For*
8 *Final Order (A) Authorizing The Debtors To Obtain Post Petition Financing; (B) Authorizing*
9 *The Debtors To Use Cash Collateral; And (C) Granting Adequate Protection To Prepetition*
10 *Secured Creditors Pursuant To 11 U.S.C. §§105, 363, 364, 1107 And 1108* [Docket No. 355] (the
11 "Debtors' Proposed Final Order").

12 **RESERVATION OF RIGHTS**

13 5. The provisions set forth in the Interim DIP Order and the Debtors' Proposed Final
14 Order properly protect and preserve the relative lien rights of each of the Prepetition Secured
15 Creditors against the risk that their interest in the Prepetition Collateral will be used to repay the
16 DIP Loan or otherwise diminished, and must continue to be included in any final order approving
17 the DIP Motion.

18 6. The MOB Financing Entities support the Debtors' Final Order. The MOB
19 Financing Entities do not consent to the proposed Final Order in the form attached to the
20 Objection

21 7. The MOB Financing Entities hereby expressly reserve all of their rights, claims,
22 objections, and remedies with respect to any changes in circumstances or modifications to the
23 Final Order. Without limiting the foregoing, the MOB Financing Entities further reserve their
24 rights to object to any other proposed debtor-in-possession financing on different terms or with
25 another lender. The MOB Financing Entities' support for the Debtors' Final Order is based on the
26 order's approval of a specific debtor-in-possession financing offered by the DIP Lenders. If an
27 existing secured lender becomes the DIP lender, different issues are presented. In that event, any
28 DIP loan should be repaid from a Debtor that uses the moneys advanced, and the MOB Financing

1 Entities, accordingly, reserve their rights to object to the extent that the Final Order does not
2 contain provisions appropriately protecting the secured parties in light of the changed
3 circumstances.

4 8. As they have done with the Interim DIP Order and the Debtors' Final Order, the
5 MOB Financing Entities will continue their good faith efforts to address any concerns with the
6 Final Order through negotiations with the Debtors and other parties in interest.

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Dated: October 1, 2018

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Respectfully Submitted,

JONES DAY

By: /s/ Bruce S. Bennett

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*Counsel for Attorneys for Verity MOB
Financing LLC and Verity MOB Financing II
LLC*

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

Jones Day
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A true and correct copy of the foregoing document entitled (*specify*): RESERVATION OF RIGHTS OF VERITY MOB FINANCING LLC AND VERITY MOB FINANCING II LLC WITH RESPECT TO PROPOSED FINAL DIP ORDER will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On October 1, 2018, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) October 1, 2018, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

- Claude D. Montgomery, Dentons US LLP, 1221 Avenue of the Americas, New York, NY 10020-1000
- Sam J. Alberts, Dentons US LLP, 1900 K Street NW, Washington, DC 20006-1100
- David W. Lively, Matthew P. James, Monique D. Jewett-Brewster, Hopkins & Carley, 70 S First Street, San Jose, CA 95113
- Marilyn Klinger, Ryan B. Luther, SMTO Law, LLP, 355 S. Grand Avenue, Suite 2450, Los Angeles, CA 90071
- John Ryan Yant, Carlton Fields Jordan Burt, P.A. 4221 W. Boy Scout Blvd., Suite 1000 Tampa, FL 33607-5780
- Clark Whitmore, Maslon LLP, 3300 Wells Fargo Center, 90 S 7th St, Minneapolis, MN 55402
- Megan Preusker, Nathan F Coco, McDermott Will & Emery, 444 West Lake Street, Chicago, IL 60606-0029

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on _____, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

10/1/2018
Date

William Schumacher
Printed Name

/s/ William Schumacher
Signature

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):

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This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

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