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FILED & ENTERED

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CLERK U.S. BANKRUPTCY COURT
Central District of California
BY gonzalez DEPUTY CLERK

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.

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

**ORDER APPROVING STIPULATION
BETWEEN THE DEBTORS AND OLD
REPUBLIC INSURANCE COMPANY**

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

- ☒ 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.

DENTONS US LLP
300 SOUTH GRAND AVENUE, 14TH FLOOR
LOS ANGELES, CALIFORNIA 90071-3124
(213) 688-1000



The Court, having reviewed the Stipulation filed as Adv. Proc. Docket No. 24 (the “Stipulation”) entered into between 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 attorneys, and good cause appearing,

IT IS HEREBY ORDERED AS FOLLOWS:

1. The Stipulation is approved.
2. The Stipulation shall govern the dispute between the Parties.
3. Pursuant to the Program Agreement (as defined in the Adversary Complaint, an endorsement to the Workers’ Compensation Policies):

(a) Debtors are responsible for funding an escrow account to be used for the payment of Losses and Allocated Loss Adjustment Expenses (as defined in the Workers’ Compensation Policies) paid under the Workers’ Compensation Policies (the “Escrow Account”).

(b) At least monthly, Sedgwick Claims Management (“Sedgwick”), the third party administrator under contract with Debtors to adjust the workers’ compensation claims, submits an invoice to Debtors, c/o AON Insurance Managers (the insurance manager for Marillac Insurance Company, Ltd.), requesting that Debtors transfer sufficient funds to the Escrow Account in order to pay the Losses and Allocated Loss Adjustment Expenses (as defined in the Workers’ Compensation Policies).

(c) Funds received by Sedgwick from Debtors are deposited in the Escrow Account.

1 4. The Sedgwick invoices are submitted to AON Insurance Managers every two (2)
2 weeks and payment is due within ten (10) days of receipt.

3 5. If the Debtors fail to transfer sufficient funds to the Escrow Account in order to pay
4 Losses and Allocated Loss Adjustment Expenses, as reflected on a Sedgwick invoice, within ten
5 (10) days of receipt of such invoice, Sedgwick shall give notice to Old Republic and Debtors, and
6 their respective counsel (the "Sedgwick Notice").
7

8 6. After Old Republic's receipt of the Sedgwick Notice, Old Republic may, at its sole
9 option, draw on the Letter of Credit in whole or in part. Old Republic shall provide five (5)
10 business days written notice to the Debtors prior to drawing on the Letter of Credit pursuant to this
11 Paragraph, and Debtors may cure the nonpayment within that time, in which case no draw will be
12 made after the subject Sedgwick Notice.
13

14 7. The Program Agreement requires that if Debtors provide security in the form of a
15 Letter of Credit, the Letter of Credit must be to be subject to automatic renewals. If the Bank
16 advises Old Republic and Debtors in writing, at least thirty (30) days prior to the next expiration
17 date, of its intention not to renew the Letter of Credit, then Debtors must furnish Old Republic
18 with a replacement Letter of Credit issued to Old Republic by an acceptable bank, or other
19 security as may be acceptable to Old Republic, within not less than ten (10) business days before
20 the expiry date. If Debtors fail to renew or replace the Letter of Credit within not less than ten
21 (10) business days before the expiry date, then Old Republic may draw on the Letter of Credit in
22 full. No written notice to the Debtors is required for Old Republic to draw on the Letter of Credit
23 under this Paragraph.
24

25 8. Old Republic may only draw on the Letter of Credit pursuant to Paragraphs 6 and 7
26 of this Order.
27
28

1 9. The instant Adversary Proceeding is dismissed as to both Old Republic and the
2 Bank without prejudice.

3 10. The Stipulation and this Order shall terminate upon the earlier of: (a) the effective
4 date of confirmed plan in the Chapter 11 Cases; (b) the entry of an order converting the Chapter 11
5 Cases to cases under chapter 7 of the Bankruptcy Code; or (c) the entry of an order dismissing the
6 Chapter 11 Cases.

7
8 11. This Court shall retain jurisdiction over the Parties, including for purposes of
9 enforcing this Stipulation.

10 12. Any notices required under the Stipulation shall be by both e-mail and express
11 overnight delivery to Debtors and Old Republic, and their respective counsel, as follows:

12 Verity Health System of California, Inc.
13 Attn: Elspeth Paul, General Counsel
14 2040 E. Mariposa Avenue
15 El Segundo, CA 90245
16 e-mail: ElspethPaul@Verity.org

17 Dentons US LLP
18 Attn: Samuel R. Maizel
19 601 South Figueroa Street
20 Suite 2500
21 Los Angeles, CA 90017-5704
22 e-mail: samuel.maizel@dentons.com

23 AND

24 Dentons US LLP
25 Attn: Jodi M. Adolf
26 4520 Main Street, Suite 1100
27 Kansas City, MO 64111
28 e-mail: jodi.adolf@dentons.com

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1 Old Republic Insurance Company
2 Attn: Lawrence J. Francione, CPA
3 Old Republic Risk Management/Old Republic Insurance Group
4 445 S. Mooreland Road
5 Brookfield, WI 53005
6 e-mail: lfrancione@orrm.com

7 AND

8 Thomas A. Dare
9 Old Republic International Corporation
10 307 North Michigan Avenue
11 Chicago, IL 60601-5382
12 e-mail: tdare@oldrepublic.com

13 Fox Swibel Levin & Carroll LLP
14 Attn: Margaret M. Anderson
15 200 W. Madison Street, Suite 3000 B
16 Chicago, IL 60606
17 e-mail: panderson@foxswibel.com

18 13. Notwithstanding Rule 6004(h) of the Federal Rules of Bankruptcy Procedure, the
19 terms and conditions of this Order are immediately effective and enforceable upon its entry.

20 ###

21
22
23 Date: October 15, 2018

24 
25 Ernest M. Robles
26 United States Bankruptcy Judge
27
28