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Debtors In Possession

**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.

☒ 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 ASC, LLC

Debtors and Debtors 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-20171-ER

Chapter 11 Cases

Hon. Judge Ernest M. Robles

**DEBTORS' NOTICE AND MOTION TO APPROVE  
SETTLEMENT AND ASSET PURCHASE  
AGREEMENT BY AND BETWEEN THE DEBTORS,  
VERITY MEDICAL FOUNDATION AND VERITY  
HEALTH SERVICES OF CALIFORNIA, INC., AND  
ALL CARE MEDICAL GROUP, INC.;  
DECLARATION OF RICHARD G. ADCOCK IN  
SUPPORT THEREOF**

HEARING:

Date: January 23, 2019

Time: 10:00 a.m.

Place: Courtroom 1568

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1           **PLEASE TAKE NOTICE** that, at **10:00 am (prevailing Pacific Time), on January 23,**  
2 **2019**, before the Honorable Ernest M. Robles, in Courtroom 1568 of the United States Bankruptcy  
3 Court for the Central District of California, Roybal Federal Building, 255 E. Temple Street, Los  
4 Angeles, CA 90012, Verity Health System Of California, Inc. (“VHS”) and the above-referenced  
5 affiliated debtors and debtors in possession in the above captioned chapter 11 bankruptcy cases  
6 (collectively, the “Debtors”), shall move for the entry of an order approving that certain Settlement  
7 and Asset Purchase Agreement between the Debtors, Verity Medical Foundation (“VMF”) and  
8 VHS, and All Care Medical Group, Inc. (“All Care”), substantially in the form of the Settlement  
9 and Asset Purchase Agreement (the “Settlement Agreement”) attached to the annexed  
10 Memorandum as **Exhibit 1**.

11           **PLEASE TAKE FURTHER NOTICE** that the Debtors file this Motion, pursuant to 11  
12 U.S.C. §§ 105, 363 and 365 and Rule 9019 of the Federal Rules of Bankruptcy Procedure, seeking  
13 an order (i) approving the Settlement Agreement, (ii) authorizing VMF to sell the assets of VMF’s  
14 medical clinic (the “Clinic”), with a principal place of business at 2675 E. Slauson Avenue,  
15 Huntington Park, CA 90255, (as more specifically defined in the Settlement Agreement, the  
16 “Purchased Assets”) free and clear of any interest in such Purchased Assets and (iii) authorizing the  
17 assumption and assignment of the Designated Contracts (defined herein) to All Care.

18           All Care is prepared to purchase the Purchased Assets by way of a private sale, which will  
19 generate funds for the estates, alleviate a materially significant monetary burden to the estates and  
20 allow the Clinic to continue to serve its patients in the community. All Care intends to continue  
21 operating the Clinic as a going concern.

22           The terms of this Settlement Agreement result from a series of meetings, discussions and  
23 evaluations between All Care, the Debtors and professional advisors. The Debtors believe that this  
24 settlement is fair and reasonable and, therefore, is in the best interests of creditors. The Settlement  
25 Agreement resolves certain issues related to the Debtor’s Rejection Motion (defined herein) and  
26 provides that All Care shall purchase the assets of the Clinic for \$1 and the book value of inventory  
27 to be determined within thirty-days after the closing date.

1           **PLEASE TAKE FURTHER NOTICE** that the Motion is based on this Notice of Motion  
2 and Motion and the attached Memorandum of Points and Authorities, the *Declaration of Richard*  
3 *G. Adcock in Support of First-Day Motions*, filed August 31, 2018 (the “First-Day Declaration”)  
4 [Docket No. 8] and the attached Declaration of Richard G. Adcock (the “Adcock Declaration”).

5           **PLEASE TAKE FURTHER NOTICE** that any party opposing or responding to the  
6 Motion must file a response (the “Response”) with the Bankruptcy Court and serve a copy of it upon  
7 the moving party and the United States Trustee not later than 14 days before the date designated for  
8 the hearing. A Response must be a complete written statement of all reasons in opposition to the  
9 Motion or in support, declarations and copies of all evidence on which the responding party intends  
10 to rely, and any responding memorandum of points and authorities.

11           **PLEASE TAKE FURTHER NOTICE** that, pursuant to LBR 9013-1(h), the failure to file  
12 and serve a timely objection to the Motion may be deemed by the Court to be consent to the relief  
13 requested herein.

14  
15           Dated: January 2, 2019

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TANIA M. MOYRON

16  
17  
18           By /s/ Tania M. Moyron  
                  Tania M. Moyron

19  
20           Attorneys for the Chapter 11 Debtors and  
                  Debtors In Possession

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**TABLE OF CONTENTS**

	<b><u>Page</u></b>
I. INTRODUCTION .....	1
II. JURISDICTION AND VENUE .....	1
III. BACKGROUND.....	2
A. General Background.....	2
B. VMF and the All Care Agreements.....	2
C. Summary of Settlement Agreement .....	5
IV. ARGUMENT .....	7
A. THE COURT SHOULD APPROVE THE SETTLEMENT AGREEMENT UNDER RULE 9019.....	7
B. THE COURT SHOULD AUTHORIZE THE PRIVATE SALE TO PROCEED.....	9
1. Section 363(b) .....	9
2. Section 363(f).....	11
C. THE COURT SHOULD APPROVE THE ASSUMPTION AND ASSIGNMENT OF DESIGNATED CONTRACTS TO ALL CARE .....	12
V. CONCLUSION .....	14

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**TABLE OF AUTHORITIES**

**Page(s)**

**Cases**

<i>In re Abbotts Dairies of Pa., Inc.,</i> 788 F.2d 143 (3d Cir. 1986).....	9
<i>In re AEG Acquisition Corp.,</i> 127 B.R. 34 (Bankr. C.D. Cal. 1991), <i>aff'd</i> , 161 B.R. 50 (B.A.P. 9th Cir. 1993) .....	12
<i>In re Bowman,</i> 194 B.R. 227 (Bankr. D. Ariz. 1995) .....	12
<i>In re Central Fla. Metal Fabrication, Inc.,</i> 190 B.R. 119 (Bankr. N.D. Fla. 1995) .....	11
<i>Comm. of Equity SEC Holders v. Lionel Corp. (In re Lionel Corp.),</i> 722 F.2d 1063 (2d Cir. 1983) .....	9
<i>Consumer Advocacy Group, Inc. v. Kintetsu Enters. of Amer.,</i> 141 Cal. App. 4th 46 (Cal. 2006) .....	7
<i>In re Continental Country Club, Inc.,</i> 114 B.R. 763 (Bankr. M.D. Fla. 1990).....	11
<i>In re Delaware and Hudson Ry. Co.,</i> 124 B.R. 169 (D. Del. 1991) .....	9
<i>In re Embers 86th Street. Inc.,</i> 184 B.R. 892 (Bankr. S.D.N.Y. 1995) .....	12
<i>In re Energy Cooperative, Inc.,</i> 886 F.2d 921 (7th Cir. 1989).....	7
<i>In re Gardens Reg'l Hosp. and Med. Ctr., Inc.,</i> 567 B.R. 802 (Bankr. C.D. Cal. 2017) .....	9
<i>In re Gucci,</i> 193 B.R. 411 (S.D.N.Y. 1996) .....	11
<i>In re Huntington, Ltd.,</i> 654 F.2d 578 (9th Cir. 1981).....	9
<i>In re Klein Sleep Prods, Inc.,</i> 78 F.3d 18 (2d. Cir. 1996).....	11
<i>Krebs Chrysler-Plymouth, Inc. v. Valley Motors, Inc.,</i> 141 F.3d 490 (3d Cir. 1998) .....	8

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1	<i>In re Martin (Myers v. Martin),</i>	
2	91 F.3d 389 (3d Cir. 1996) .....	9
3	<i>Martin v. Kane (In re A &amp; C Props.),</i>	
4	784 F.2d 1377 (9th Cir. 1986), <i>cert. denied sub nom, Martin v. Robinson</i> , 479	
	U.S. 854 (1986) .....	6, 7
5	<i>In re MF Global, Inc.,</i>	
6	535 B.R. 596 (Bankr. S.D.N.Y. 2015) .....	10
7	<i>re Mickey Thompson Entm't Grp., Inc.,</i>	
	292 B.R. 415 (B.A.P. 9th Cir. 2003) .....	7
8	<i>In re Nepsco, Inc.,</i>	
9	36 B.R. 25 (Bankr. D. Me. 1983) .....	9
10	<i>In re Prime Motors Inns,</i>	
11	124 B.R. 378 (Bankr. S.D. Fla. 1991) .....	11
12	<i>Titusville Country Club v. Pennbank (In re Titusville Country Club),</i>	
	128 B.R. 396 (Bankr. W.D. Pa. 1991) .....	9
13	<i>In re Trans World Airlines, Inc.,</i>	
14	No. 01-00056 (PJW), 2001 WL 1820326 (Bankr. D. Del. Apr. 2, 2001) .....	9
15	<i>United States v. McInnes,</i>	
16	556 F.2d 436 (9th Cir. 1977) .....	7
17	<i>In re Walsh Constr., Inc.,</i>	
	669 F.2d 1325 (9th Cir. 1992) .....	7
18	<i>In re Walter,</i>	
19	83 B.R. 14 (B.A.P. 9th Cir. 1988) .....	9, 10
20	<i>Woodson v. Fireman's Fund Ins. Co. (In re Woodson),</i>	
	839 F.2d 610 (9th Cir. 1988) .....	6, 7
21	<i>In re Zarate,</i>	
22	2015 WL 8482887 (B.A.P. 9th Cir. Dec. 9, 2015) .....	7
23		
24		
25		
26		
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28		

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1	<b>Statutes</b>	
2	11 United States Code	
3	§ 101 .....	1
4	§ 105 .....	1
5	§ 328 .....	1
6	§ 330 .....	1
7	§ 363 .....	1, 13
8	§ 363(b) .....	8
9	§ 363(b)(1) .....	8
10	§ 363(f) .....	8, 10, 11
11	§ 363(f)(1) .....	11
12	§ 363(f)(2) .....	11
13	§ 363(f)(5) .....	11
14	§ 365 .....	1
15	§ 365(a) .....	4, 11
16	§ 365(b)(1) .....	12
17	§ 365(f)(1) .....	12
18	§ 365(f)(2) .....	12
19	§ 1107 .....	1
20	§ 1108 .....	1
21	28 United States Code	
22	§ 157 .....	1
23	§ 157(b)(2)(B) .....	1
24	§ 1334 .....	1
25	§ 1408 .....	1
26	§ 1409 .....	1
27	California Health & Safety Code	
28	§ 1206(b) .....	2
	§ 1206(l) .....	2
	Internal Revenue Code	
	§ 501(c)(3) .....	2
	<b>Rules and Regulations</b>	
	Federal Rules of Bankruptcy Procedure	
	Rule 2002 .....	1
	Rule 6004 .....	1
	Rule 6004(f)(1) .....	8
	Rule 9019 .....	1, 6, 8, 13
	Rule 9019(a) .....	6

**MEMORANDUM OF POINTS AND AUTHORITIES**

**I.**

**INTRODUCTION**

The Debtors, by and through their undersigned counsel, hereby file this Memorandum of Points and Authorities in support of their motion (the “Motion”), pursuant to §§ 105, 363 and 365<sup>1</sup> and Rule 9019, for the entry of an order (i) approving the Settlement and Asset Purchase Agreement (the “Settlement Agreement”), dated January 2, 2019, between Verity Medical Foundation (“VMF”), Verity Health System of California, Inc. (“VHS”), and All Care Medical Group, Inc. (“All Care”) (collectively, the “Parties”), a copy of which is attached hereto as **Exhibit 1**, (ii) authorizing VMF to sell all assets of the Clinic (defined herein) (as more specifically defined in the Settlement Agreement, the “Purchased Assets”) free and clear of any interest in such Purchased Assets and (iii) approving the assumption and assignment of the Designated Contracts (defined herein) to All Care. For the reasons set forth below, the Debtors respectfully request that the Court grant the Motion.

**II.**

**JURISDICTION AND VENUE**

This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(B). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

The statutory predicates for the relief requested herein are §§ 105, 328, 330, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004 and 9019.

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<sup>1</sup> Unless specified otherwise, all chapter and section references are to the Bankruptcy Code, 11 U.S.C. §§ 101-1532, and all “Rule” references are to the Federal Rules of Bankruptcy Procedure, Rules 1001-9037. All “LBR” references are to the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California.



III.

**BACKGROUND**

**A. General Background**

1. On August 31, 2018 (“Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11. Since the commencement of their cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108.

2. Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate member of the following five Debtor California nonprofit public benefit corporations that operate six acute care hospitals, O’Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, and Seton Medical Center Coastsides (collectively, the “Hospitals”) and other facilities in the state of California. Seton Medical Center and Seton Medical Center Coastsides operate under one consolidated acute care license. First-Day Decl., at 4, ¶ 11.

3. VHS, the Hospitals, and their affiliated entities (collectively, “Verity Health System”) operate as a nonprofit health care system, with approximately 1,680 inpatient beds, six active emergency rooms, a trauma center, eleven medical office buildings, and a host of medical specialties, including tertiary and quaternary care. First-Day Decl., at 4, ¶ 12.

4. Each of the Debtors is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “IRC”), except for Verity Holdings, LLC, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC. First-Day Decl., at 6, ¶ 21.

5. On September 17, 2018, the Office of the United States Trustee appointed an Official Committee of Unsecured Creditors in these cases. [Docket No. 197.]

**B. VMF and the All Care Agreements**

6. Debtor VMF, incorporated in 2011, is a medical foundation, exempt from (a) licensure under California Health & Safety Code § 1206(l), and (b) federal income taxation as an organization described in section 501(c)(3) of the IRC. First-Day Decl., at 5, ¶ 14. VMF contracts with physicians and other healthcare professionals to provide high quality, compassionate, patient-

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1 centered care to individuals and families throughout California. *Id.* With more than 100 primary  
2 care and specialty physicians, VMF offers medical, surgical and related healthcare services for  
3 people of all ages at community-based, multi-specialty clinics conveniently located in areas served  
4 by the Hospitals. *Id.*

5 7. VMF holds long-term professional services agreements with six medical groups,<sup>2</sup>  
6 including a professional services agreement with All Care (the “All Care PSA”), a California  
7 professional corporation that employs and contracts with physicians (such as nurse practitioners and  
8 physician’s assistants) who are directly engaged in the provision of professional medical services.  
9 Adcock Declaration, ¶ 4. On December 31, 2012, VMF (as DCHS Medical Foundation) and All  
10 Care entered into the All Care PSA, under which All Care agreed to provide professional medical  
11 services to the VMF medical clinic (the “Clinic”). *Id.* The Clinic’s principal place of business is  
12 located at 2675 E. Slauson Avenue, Huntington Park, CA 90255, and is subject to a lease assigned  
13 to VMF by All Care (the “Slauson Lease”). *Id.* All Care also assigned to VMF its obligations under  
14 certain other agreements, including certain managed care agreements (the “Managed Care  
15 Agreements”). *Id.* The All Care PSA, Managed Care Agreements, the Slauson Lease and certain  
16 other contracts (collectively, the “All Care Agreements”) are unexpired and executory. *Id.*

17 8. As discussed in the Rejection Motion (defined herein), the All Care Agreements are  
18 unduly burdensome to the Debtors’ bankruptcy estates. Adcock Declaration, ¶ 5. For example, the  
19 All Care PSA potentially requires VMF to pay approximately \$1.45 million per year (or  
20 approximately \$20.3 million over the remaining term, which isn’t set to expire for another fourteen  
21 years). Adcock Declaration, ¶ 5; Declaration of Stephen Campbell, M.D. in Support of Rejection  
22 Motion, Docket No. 576, ¶ 7. Also the Slauson Lease, which has more than four years left on its  
23 term, costs VMF an almost \$46,000 per month (almost \$550,000 per year or more than \$2.3 million  
24 over the remaining term) in base rent. Adcock Declaration, ¶ 5. Over fiscal year 2018, the All Care  
25 Agreements resulted in a net loss of \$1.24 million as of the filing of the Rejection Motion. *Id.*;

26  
27  
28 <sup>2</sup> VMF also has professional services agreements, and related contracts and leases, with (a) Verity Medical Group;  
(b) Sports, Orthopedic and Rehabilitation Associates; (c) CFL Children’s Medical Associates, Inc.; (d) Hunt Spine  
Institute, Inc.; and (e) San Jose Medical Clinic, Inc., D/B/A San Jose Medical Group.

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1 Declaration of Stephen Campbell, M.D. in Support of Rejection Motion, Docket No. 576, ¶ 9. Over  
2 the course of the remaining All Care PSA term, losses would amount to more than \$17 million.  
3 Adcock Declaration, ¶ 5.

4 9. To alleviate the estates from the obligations related to the All Care Agreements, the  
5 Debtors, on October 3, 2018, filed the *Debtors' Motion to Reject, Pursuant to 11 U.S.C. § 365(a),*  
6 *Professional Services Agreement with All Care Medical Group, Inc. and Related Executory*  
7 *Contracts and Unexpired Leases* (the "Rejection Motion") [Docket No. 399], along with an  
8 accompanying Memorandum of Points and Authorities in support of the Rejection Motion, the  
9 Declaration of Stephen Campbell, M.D. in support of the Rejection Motion and various exhibits.  
10 Specifically, the Rejection Motion seeks to reject, pursuant to § 365(a), the All Care Agreements  
11 listed in Exhibit A to the Rejection Motion.

12 10. On October 10, 2018, California Physician's Service dba Blue Shield of California  
13 filed *Blue Shield's Opposition to Debtors' Motion to Reject Executory Contracts and Unexpired*  
14 *Lease Nunc Pro Tunc* [Docket No. 462].

15 11. On October 10, 2018, Cigna Healthcare of California, Inc. and Cigna Health and Life  
16 Insurance Company filed the *Objection of Cigna to Debtor's Motion to Rejection, Pursuant to 11*  
17 *U.S.C. § 365(a), Professional Services Agreement With All Care Medical Group, Inc. and Related*  
18 *Executory Contracts and Unexpired Lease Nunc Pro Tunc* [Docket No. 448].

19 12. On October 12, 2018, Southeast Medical Center, LLC and Slauson Associates of  
20 Huntington Park, LLC filed a *Limited Objection to Landlord Creditor Southeast Medical Center,*  
21 *LLC and Slauson Associates of Huntington Park, LLC to Debtor's Motion to Reject, Pursuant to 11*  
22 *U.S.C. § 365(a), Professional Services Agreement with All Care Medical Group, Inc. and Related*  
23 *Executory Contracts and Unexpired Lease Nunc Pro Tunc* [Docket No. 496].

24 13. On December 5, 2018 the Debtors filed the *Omnibus Reply to Objection to Debtors'*  
25 *Motion to Reject, Pursuant to 11 U.S.C. § 365(a), Professional Services Agreement with All Care*  
26 *Medical Group, Inc. and Related Executory Contracts and Unexpired Lease Nunc Pro Tunc* [Docket  
27 No. 987].  
28

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14. Following the Rejection Motion, the Debtors, All Care and certain of the objecting parties engaged in discussions to address the Debtors' need to divest from the All Care arrangement, while maintaining the medical services provided by All Care. The hearing to consider the Rejection Motion has been postponed while those discussions have continued. The agreements reached, as result of the discussions among and between the Debtors, All Care and certain other parties, are incorporated in the Settlement Agreement.

**C. Summary of Settlement Agreement**

15. Under the Settlement Agreement, All Care and the Debtors will resolve potential claims arising under the All Care PSA and provide for a transition of the Clinic's services to All Care. Adcock Declaration, ¶ 6. The Settlement Agreement also provides for the purchase the Purchased Assets of the Clinic by All Care, by way of private sale and subject to Bankruptcy Court approval. *Id.* After closing of the sale, All Care intends to continue to operate the Clinic. *Id.* The principal terms of the Settlement Agreement can be summarized as follows:<sup>3</sup>

- a. VMF agrees to sell to All Care and All Care agrees to purchase the certain assets (the "Purchased Assets") located at the Clinic, and to enter into certain related agreements.
- b. All Care agrees to pay an aggregate purchase price for the Purchased Assets of \$1.00 plus an amount equal to the book value of Inventory as of the Closing Date (the "Inventory Adjustment"), provided, however, the Inventory Adjustment shall be no more than \$25,000.00. If the book value of Inventory on the Closing Date is greater than \$25,000.00, All Care shall return Inventory to VMF in such amount as is necessary to reduce the book value of Inventory on the Closing Date to \$25,000.00. The Inventory Adjustment shall be determined within the thirty (30) day period immediately following the Closing Date. The sum of \$1.00 plus the Inventory Adjustment shall be the "Purchase Price". The Purchase Price shall be delivered by All Care to VMF (or its designee) within 5 days of VMF's delivery to All Care of the computation of the Inventory Adjustment by wire transfer to such account(s) as may be designated by VMF.
- c. The contracts listed on Exhibit B to the Settlement Agreement (the "Designated Contracts") shall be assumed and assigned to All Care, effective as of the Closing Date. On or before the Closing Date, All Care shall pay all cure costs associated with a Designated Contract directly to the counter-party to a Designated Contract that is assumed and assigned pursuant to the Settlement Agreement.

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<sup>3</sup> This is a summary only. Reference should be made to the complete Settlement Agreement attached hereto as **Exhibit 1**. The terms of the Settlement Agreement shall control over the terms of this summary in all instances.

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- 1 d. The Debtors shall reject the real property lease with Southeast Medical Center, LLC  
2 and Slauson Associates of Huntington Park, LLC for the Clinic. Buyer shall be solely  
3 responsible for the negotiation of any new lease from the landlord or sub-landlord  
4 for any continued occupancy beyond the Closing Date.
- 5 e. On the Closing Date, All Care, VHS and VMF hereby agree that (a) the All Care  
6 PSA, (b) the Risk Share Agreement, dated March 1, 2013, between All Care and St.  
7 Francis Medical Center and (c) any other agreements between All Care and any  
8 physicians working at the Clinic, on the one hand, and any VHS affiliate, on the other  
9 hand, including all medical directorship agreements, are hereby terminated by mutual  
10 agreement and without liability to the parties thereto, and shall therefore have no  
11 further force and effect.
- 12 f. Base Compensation and any bonus compensation payments due to the physicians  
13 currently working at the Clinic from VMF under the All Care PSA will cease as of  
14 December 31, 2018, and that no other compensation will be due from VMF to such  
15 physicians after December 31, 2018.
- 16 g. All Care agrees to make offers of employment, effective as of the Closing Date, to  
17 the employees of the Clinic listed in Exhibit C to the Settlement Agreement. Any  
18 of the Clinic's employees who accept an offer of employment All Care as of or after  
19 the Closing Date shall be referred to as the "Hired Employees." All Hired Employees  
20 shall cease to be employees of VMF or its affiliates as of the Closing Date. All Care  
21 shall provide all Hired Employees with substantially similar benefits as the Hired  
22 Employees received while employed by VMF immediately prior to the Closing Date  
23 and All Care hereby assumes all paid time off ("PTO") accrued by the Hired  
24 Employees prior to the Closing Date. All Care shall give all Hired Employees full  
25 credit for PTO pay accrued as of the Closing Date, either by (i) crediting such  
26 employees the time off reflected in the employment records of Seller and/or any of  
27 its affiliates immediately prior to the Closing Date or (ii) by making full payments to  
28 such employees of the amounts which such employees would have received had they  
taken such PTO.

16. The Debtors believe that its settlement with All Care is fair and equitable and in the  
best interests of the estate. Adcock Declaration, ¶ 7. The Settlement Agreement generates  
additional funds for the estates in the form of the value of the Inventory, it alleviates the Debtors  
from the burdensome obligations related to the All Care Agreements, including costs related to the  
Clinic employees who are retained by All Care, and it allows the Clinic to continue to serve patients  
in the community. *Id.*

IV.

ARGUMENT

A. THE COURT SHOULD APPROVE THE SETTLEMENT AGREEMENT UNDER  
RULE 9019

Rule 9019 provides that the Court may approve a compromise or settlement. Fed. R. Bankr. P. 9019(a). In determining the fairness, reasonableness and adequacy of a proposed settlement, the Court must consider the following factors: “(a) The probability of success in the litigation; (b) the difficulties, if any, to be encountered in the matter of collection; (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; (d) the paramount interest of the creditors and a proper deference to their reasonable views in the premises.” *Martin v. Kane (In re A & C Props.)*, 784 F.2d 1377, 1380-81 (9th Cir. 1986), *cert. denied sub nom, Martin v. Robinson*, 479 U.S. 854 (1986). The purpose of a compromise agreement between a debtor and a creditor is to allow the parties to avoid the expenses and burdens associated with litigation. *Id.* This Court has great latitude in approving compromise agreements as long as it finds that the compromise is fair and equitable. *Id.* at 1382; *see also Woodson v. Fireman’s Fund Ins. Co. (In re Woodson)*, 839 F.2d 610, 620 (9th Cir. 1988). Generally, the benchmark in determining the propriety of a settlement is whether the settlement is in the best interests of the estate and its creditors. *In re Energy Cooperative, Inc.*, 886 F.2d 921, 927 (7th Cir. 1989). To be approved, the settlement need not represent the highest possible return to the estate, but merely must fall within the range of “reasonableness.” *In re Walsh Constr., Inc.*, 669 F.2d 1325, 1328 (9th Cir. 1992). In making this determination, the bankruptcy court need not conduct a trial or even a “mini-trial” on the merits. *Id.*

The law strongly encourages compromise. *Consumer Advocacy Group, Inc. v. Kintetsu Enters. of Amer.*, 141 Cal. App. 4th 46, 62 (Cal. 2006); *United States v. McInnes*, 556 F.2d 436, 440 (9th Cir. 1977) (“We are committed to the rule that the law favors and encourages compromise settlements.”). Additionally, compromises are favored in bankruptcy so as to minimize litigation and expedite a bankruptcy estate’s administration. *See In re A & C Props.*, 784 F.2d at 1381. Bankruptcy courts therefore have “great latitude” to approve a debtor’s compromises and settlements. *Woodson*, 839 F.2d at 620; *In re Mickey Thompson Entm’t Grp., Inc.*, 292 B.R. 415

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1 (B.A.P. 9th Cir. 2003). An approved settlement will “be in the best interests of the estate” if it is  
2 “reasonable, given the particular circumstances of the case.” *Mickey Thompson Entm’t Grp.*, 292  
3 B.R. at 420. Finally, “court[s] generally give[] deference to a [debtor’s] business judgment in  
4 deciding whether to settle a matter,” although the debtor “has the burden of persuading the  
5 bankruptcy court that the compromise is fair and equitable and should be approved.” *Id.*; *see also*  
6 *In re Zarate*, 2015 WL 8482887, at \*8 (B.A.P. 9th Cir. Dec. 9, 2015) (“[T]he [debtor] must be  
7 permitted to use his business acumen and judgment in the best interest of the estate.”).

8 Here, the Debtors exercised their reasonable business judgment in agreeing to the Settlement  
9 Agreement which is in the best interests of the estates. The consummation of the Settlement  
10 Agreement eliminates any disputes regarding the amounts to be paid under the All Care PSA and  
11 other Terminated Agreements (as defined in the Settlement Agreement) and provides that the  
12 Debtors shall not be obligated to make any further payments under the All Care PSA from January  
13 1, 2019 through the Closing Date. Adcock Declaration, ¶ 8. Further, the Settlement Agreement  
14 provides that the Terminated Agreements shall be terminated upon the Closing Date, with no further  
15 liabilities to the estate. *Id.* The mutual, agreed termination of the Terminated Agreements, avoids  
16 the need to reject the Terminated Agreements, and with them any claims for damages arising from  
17 the rejection. *Id.* As described above, the remaining payments under the All Care PSA alone, absent  
18 termination, would be in excess of \$20 million. *Id.* Thus, absent the Settlement Agreement, the  
19 rejection of the All Care PSA could result in a substantial claim with a material impact on the  
20 recoveries to general unsecured creditors. *Id.*

21 In addition to resolving claims under the Terminated Agreements, the Settlement Agreement  
22 will result in All Care’s retention of up to fifteen Clinic employees. Adcock Declaration, ¶ 9. If not  
23 for the Settlement Agreement, upon rejection of the All Care Agreements, VMF would terminate  
24 the employment of the Hired Employees. *Id.* By retaining the Hired Employees, All Care is  
25 agreeing to assume certain employment related costs and alleviates the estates from termination  
26 costs related to those employees. *Id.* The settlement with All Care thus meets the requirements of  
27 Rule 9019 and the applicable precedents in the Ninth Circuit.



**B. THE COURT SHOULD AUTHORIZE THE PRIVATE SALE TO PROCEED**

A debtor in possession can sell assets outside of the ordinary course of business through a private sale in a Chapter 11 case. More specifically, private sales are expressly authorized under the Bankruptcy Rules. *See* Fed. R. Bankr. P. 6004(f)(1). Additionally, as described below, most courts considering private sales in Chapter 11 pre-confirmation have assessed them under a “business judgment” standard and asked whether the contemplated sale is in the best interest of the bankruptcy estate. Thus, to the extent that Settlement Agreement involves a sale of Purchased Assets, the Debtors also seek approval of the sale of the Purchased Assets to All Care in accordance with §§ 363(b) and (f).

**1. Section 363(b)**

Section 363(b)(1) provides that a debtor in possession may sell property of the estate “other than in the ordinary course of business” after notice and a hearing. 11 U.S.C. § 363(b)(1). “All sales not in the ordinary course of business may be by private sale or by public auction.” Fed. R. Bankr. P. 6004(f)(1). *See Krebs Chrysler-Plymouth, Inc. v. Valley Motors, Inc.*, 141 F.3d 490, 498 (3d Cir. 1998); *see also In re Trans World Airlines, Inc.*, No. 01-00056 (PJW), 2001 WL 1820326, at \*4 (Bankr. D. Del. Apr. 2, 2001) (“[I]t is worth noting that a § 363(b) sale transaction does not require an auction procedure. The auction procedure has developed over the years as an effective means for producing an arm’s length fair value transaction.”). As set forth in *In re Nepsco, Inc.*, 36 B.R. 25, 26-27 (Bankr. D. Me. 1983):

[C]urrent Bankruptcy Rule [6004(f)(1)] provides that *all* sales not in the ordinary course of business may be private or by public auction. If the sale is private, all creditors receive notice of the terms and conditions of the sale and the time fixed for filing objections. [] If no objections are filed, the trustee may proceed with the sale without either a hearing or a court order. [] Clearly, the thrust of this statutory scheme is to provide maximum flexibility to the trustee, subject to the oversight of those for whose benefit he acts, *i.e.*, the creditors of the estate. This scheme also promotes Congress’ intent of keeping bankruptcy judges out of the administrative aspect of bankruptcy cases . . . .

As a general proposition, to approve a use, sale or lease of property other than in the ordinary course of business, the Court must find “some articulated business justification.” *See, e.g., In re Gardens Reg. Hosp. and Med. Ctr., Inc. (“In re Gardens”)*, 567 B.R. 802, 825 (Bankr. C.D. Cal.



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2017); *In re Martin (Myers v. Martin)*, 91 F.3d 389, 395 (3d Cir. 1996) (citing *In re Schipper (Fulton State Bank v. Schipper)*, 933 F.2d 513, 515 (7th Cir. 1991)); *In re Abbotts Dairies of Pa., Inc.*, 788 F.2d 143 (3d Cir. 1986) (implicitly adopting the “sound business judgment” test of Lionel Corp. and requiring good faith); *Comm. of Equity SEC Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983); *In re Delaware and Hudson Ry. Co.*, 124 B.R. 169 (D. Del. 1991) (concluding that the Third Circuit adopted the “sound business judgment” test in the Abbotts Dairies decision). Similarly, in the Ninth Circuit, “cause” exists for authorizing a sale of estate assets if it is in the best interest of the estate, and a business justification exists for authorizing the sale. *In re Huntington, Ltd.*, 654 F.2d 578 (9th Cir. 1981); *In re Walter*, 83 B.R. 14, 19-20 (B.A.P. 9th Cir. 1988).

In determining whether a sale satisfies the business judgment standard, courts have held that: (1) there be a sound business reason for the sale; (2) accurate and reasonable notice of the sale be given to interested persons; (3) the sale yield an adequate price (i.e., one that is fair and reasonable); and (4) the parties to the sale have acted in good faith. *In re Walter*, 83 B.R. at 19-20; *see also Titusville Country Club v. Pennbank (In re Titusville Country Club)*, 128 B.R. 396, 399 (Bankr. W.D. Pa. 1991).

In *In re MF Global, Inc.*, 535 B.R. 596 (Bankr. S.D.N.Y. 2015), the bankruptcy court approved a private sale of assets under the business judgment standard where only a single purchaser expressed interest in purchasing the assets and it was familiar with the rights which it would be assigned. *Id.* at 606. The trustee also demonstrated, among other things, that the interested parties received adequate and reasonable notice and both parties to the sale proceeded in good faith. Consequently, the court found that the trustee and debtor had presented “uncontroverted evidence” that the private sale “reflects the appropriate exercise of their sound business judgment” where the agreement was negotiated extensively, no party objected to the proposed sale, and there was no dispute about the adequacy of the consideration.

Here, the Debtors exercised their “sound business judgment” in making a decision to sell the Purchased Assets to All Care in a private sale. The Debtors engaged in extensive, arms-length negotiations with All Care and its advisors over the terms of the Settlement Agreement. Adcock

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1 Declaration, ¶ 10. While the sale proceeds are a small part of the overall Settlement Agreement, the  
2 proceeds from the sale will generate funds for the benefit of the estate in the form of the book value  
3 of the Clinic's inventory. *Id.* Also, as part of the consideration for the Settlement Agreement, All  
4 Care will assume the obligations under the Designated Contracts and liabilities for the Hired  
5 Employees. *Id.* A failure to consummate a sale of the Purchased Assets to All Care would result in  
6 virtually no return to the estates for the Purchased Assets and the rejection of the All Care  
7 Agreements, causing the estates to incur additional claims. *Id.* Accordingly, there is no question  
8 that the proposed sale of the Purchased Assets to All Care is in the best interests of the Debtors'  
9 estates. *Id.*

10 **2. Section 363(f)**

11 Pursuant to § 363(f), a debtor's assets may be sold free and clear of any and all liens, claims,  
12 interests and other encumbrances if any one of the following conditions are satisfied: (1) applicable  
13 nonbankruptcy law permits sale of such property free and clear of such interest; (2) such entity  
14 consents; (3) such interest is a lien and the price at which such property is to be sold is greater than  
15 the aggregate value of all liens on such property; (4) such interest is in bona fide dispute; or (5) such  
16 entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such  
17 interest. 11 U.S.C. § 363(f).

18 In this instance, the Purchased Assets may be sold free and clear of all Interests pursuant to  
19 §§ 363(f)(1), (f)(2) or (f)(5). For example, any secured creditors' liens will attach to the proceeds  
20 of sale in the same priority that the secured creditors held a security interest in the Purchased Assets  
21 being sold. Furthermore, parties with a potential interest in the Purchased Assets will receive notice  
22 of the proposed transaction and the lack of objection to the sale should be deemed consent to the  
23 sale under § 363(f)(2).

24 Thus, in accordance with § 363(f), the transfer of the Purchased Assets to All Care will be a  
25 legal, valid, enforceable and effective transfer of the Purchased Assets, and will vest All Care with  
26 all right, title, and interest in the Purchased Assets free and clear of all liens, claims, encumbrances  
27 and interests.

28

**C. THE COURT SHOULD APPROVE THE ASSUMPTION AND ASSIGNMENT OF  
DESIGNATED CONTRACTS TO ALL CARE**

Barring exceptions not relevant here, § 365(a) authorizes a debtor in possession, “subject to the Court’s approval, ... [to] assume or reject any executory contract or unexpired lease of the debtor.” A debtor in possession may assume or reject executory contracts for the benefit of the estate. *In re Klein Sleep Prods, Inc.*, 78 F.3d 18, 25 (2d. Cir. 1996); *In re Gucci*, 193 B.R. 411, 415 (S.D.N.Y. 1996); *In re Central Fla. Metal Fabrication, Inc.*, 190 B.R. 119, 124 (Bankr. N.D. Fla. 1995). In reviewing a debtor in possession’s decision to assume or reject an executory contract, a bankruptcy court should apply the “business judgment test” to determine whether it would be beneficial to the estate to assume it. *In re Continental Country Club, Inc.*, 114 B.R. 763, 767 (Bankr. M.D. Fla. 1990); *see also In re Gucci*, 193 B.R. at 415. The business judgment standard requires that the Court follow the business judgment of the debtor unless that judgment is the product of bad faith, whim, or caprice. *In re Prime Motors Inns*, 124 B.R. 378, 381 (Bankr. S.D. Fla. 1991) (*citing Lubrizol Enters. v. Richmond Metal Finishers*, 756 F.2d 1043, 1047 (4th Cir. 1985), *cert. denied*, 475 U.S. 1057 (1986)).

Pursuant to § 365(f)(2), a debtor may assign its executory contracts and unexpired leases, provided the debtor first assumes such executory contracts and unexpired leases in accordance with § 365(b)(1), and provides adequate assurance of future performance by the assignee. Pursuant to § 365(b)(1), assumption of executory contracts and unexpired leases requires a debtor to: (a) cure any existing defaults under such agreements; (b) compensate all non-debtor parties to such agreements for any actual pecuniary loss resulting from the defaults; and (c) provide adequate assurance of future performance under the contract or lease. 11 U.S.C. § 365(b)(1); *see also In re Bowman*, 194 B.R. 227, 230 (Bankr. D. Ariz. 1995); *In re AEG Acquisition Corp.*, 127 B.R. 34, 44 (Bankr. C.D. Cal. 1991), *aff’d*, 161 B.R. 50 (B.A.P. 9th Cir. 1993). Pursuant to § 365(f)(1), a debtor may assign an executory contract or unexpired lease pursuant to § 365(f)(2) notwithstanding any provision in such executory contract or unexpired lease that prohibits, restricts or conditions the assignment of such executory contract or unexpired lease.

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1 The assumption and assignment of executory contracts furthers the goals of chapter 11 of  
2 promoting reorganization by balancing the debtor's interest in maximizing the value of its estate  
3 against the contracting party's interest in receiving the benefit of its bargain and being protected  
4 against default by the debtor after assumption has occurred. *In re Embers 86th Street, Inc.*, 184 B.R.  
5 892, 896 (Bankr. S.D.N.Y. 1995).

6 Here, the Debtors seek the Court's authority to assume and assign to All Care, pursuant to  
7 the terms of the Settlement Agreement, all of the Designated Contracts upon the Closing Date. The  
8 Debtors do not believe that any cure costs are owed with respect to the Designated Contracts.  
9 Adcock Declaration, ¶ 11. However, to the extent any cure costs are found to exist, pursuant to the  
10 Settlement Agreement, All Care shall pay the cure costs associated with each Designated Contract  
11 directly to each contract counter-party on or prior to the Closing Date. *Id.* The All Care Agreements,  
12 including the Slauson Lease, listed in Exhibit A to the Rejection Motion which are not included in  
13 the list of Designated Contracts and are not terminated in accordance with the Settlement Agreement  
14 will remain subject to the Rejection Motion and, thus, shall be rejected by the Debtors. *Id.*

15 The Designated Contracts consist of contracts with managed care organizations for which  
16 All Care has agreed to accept all obligations. Adcock Declaration, ¶ 12. The assignment of the  
17 Designated Contracts to All Care is necessary to effectuate the sale of the Purchased Assets to All  
18 Care so that All Care can continue to operate the Clinic. *Id.* Thus, the Debtors have exercised their  
19 reasonable business judgment in assuming and assigning the Designated Contracts to All Care. *Id.*

20 During the course of negotiations on the Settlement Agreement, All Care has simultaneously  
21 engaged in discussions with the counter-parties to the Designated Contracts for a continuing  
22 relationship under the Designated Contract. Adcock Declaration, ¶ 13. Upon information and  
23 belief, each counter-party to a Designated Contract has agreed to the assignment of its contract to All  
24 Care. *Id.* Moreover, such counter-parties have adequate assurance that All Care will continue to  
25 perform under the terms of the Designated Contracts because All Care has managed the Clinic in  
26 the past and will continue to operate the Clinic in accordance with the Designated Contracts going  
27 forward. *Id.*

28

V.

**CONCLUSION**

For all the reasons set forth herein, the Debtors request the Court enter an order (i) approving the Settlement Agreement pursuant to Rule 9019, (ii) authorizing the private sale of the Purchased Assets to All Care, under § 363, free and clear of all liens, claims, encumbrances and interests and (iii) approving the assumption and assignment of the Designated Contracts to All Care.

Dated: January 2, 2019

DENTONS US LLP  
SAMUEL R. MAIZEL  
TANIA M. MOYRON

By /s/ Tania M. Moyron  
Tania M. Moyron

Attorneys for the Chapter 11 Debtors and  
Debtors In Possession

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**DECLARATION OF RICHARD G. ADCOCK**

I, Richard G. Adcock, declare, that if called as a witness, I would and could competently testify thereto, of my own personal knowledge, as follows:

1. I am the Chief Executive Officer of Verity Health System of California, Inc. (“VHS”). I became the Debtors’ Chief Executive Officer effective January 2018. Prior thereto, I served as VHS’s Chief Operating Officer since August 2017.

2. Except as otherwise indicated herein, this Declaration is based upon my personal knowledge, my review of relevant documents, information provided to me by employees of the Debtors or the Debtors’ legal and financial advisors, or my opinion based upon my experience, knowledge, and information concerning the Debtors’ operations and the healthcare industry. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

3. This Declaration is in support of the *Debtors’ Notice And Motion To Approve Settlement And Asset Purchase Agreement By And Between The Debtors, Verity Medical Foundation And Verity Health Services Of California, Inc. And All Care Medical Group, Inc.* (“Motion”) and for all other purposes permitted by law.

4. Verity Medical Foundation (“VMF”) holds long-term professional services agreements with six medical groups, including a professional services agreement (the “All Care PSA”) with All Care Medical Group, Inc. (“All Care”), a California professional corporation that employs and contracts with physicians (such as nurse practitioners and physician’s assistants) who are directly engaged in the provision of professional medical services. On December 31, 2012, VMF (then operating under the name Daughters of Charity Health System Medical Foundation) and All Care entered into the All Care PSA, under which All Care agreed to provide professional medical services to the VMF medical clinic (the “Clinic”). The Clinic’s principal place of business is located at 2675 E. Slauson Avenue, Huntington Park, CA 90255, and is subject to a lease assigned to VMF by All Care (the “Slauson Lease”). All Care also assigned to VMF its obligations under certain other agreements, including certain managed care agreements (the “Managed Care Agreements”). The All Care PSA, Managed Care Agreements, the Slauson Lease

1 and certain other contracts (collectively, the “All Care Agreements”) are unexpired and have  
2 mutual obligations remaining on both sides.

3 5. As discussed in the *Debtors’ Motion to Reject, Pursuant to 11 U.S.C. § 365(a),*  
4 *Professional Services Agreement with All Care Medical Group, Inc. and Related Executory*  
5 *Contracts and Unexpired Leases* (the “Rejection Motion”), the All Care Agreements are unduly  
6 burdensome to the Debtors’ bankruptcy estates. For example, the All Care PSA potentially  
7 requires VMF to pay approximately \$1.45 million per year (or approximately \$20.3 million over  
8 the remaining term, which isn’t set to expire for another fourteen years). Also the Slauson Lease,  
9 which has more than four years left on its term, costs VMF an almost \$46,000 per month (almost  
10 \$550,000 per year or more than \$2.3 million over the remaining term) in base rent. Over fiscal  
11 year 2018, the All Care Agreements resulted in a net loss of \$1.24 million as of the filing of the  
12 Rejection Motion. Over the course of the remaining All Care PSA term, losses would amount to  
13 more than \$17 million.

14 6. Under the proposed Settlement Agreement between VHS, VMF and All Care, All  
15 Care and the Debtors will resolve potential claims arising under the All Care PSA and provide for  
16 a transition of the Clinic’s services to All Care. The Settlement Agreement also provides for the  
17 purchase the Purchased Assets of the Clinic by All Care, by way of private sale and subject to  
18 Bankruptcy Court approval. After closing of the sale, All Care intends to continue to operate the  
19 Clinic. The main terms of the Settlement Agreement are accurately summarized in the Motion.

20 7. I believe that the proposed settlement with All Care is fair and equitable and in the  
21 best interests of the Debtors’ Estates. The Settlement Agreement generates additional funds for  
22 the Estates in the form of the value of the Inventory, it alleviates the Debtors from the burdensome  
23 obligations related to the All Care Agreements, including costs related to the Clinic employees  
24 who are retained by All Care, and it allows the Clinic to continue to serve patients in the  
25 community.

26 8. The consummation of the Settlement Agreement eliminates any disputes regarding  
27 the amounts to be paid under the All Care PSA and other Terminated Agreements (as defined in  
28 the Settlement Agreement) and provides that the Debtors shall not be obligated to make any

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1 further payments under the All Care PSA from January 1, 2019 through the Closing Date.

2 Further, the Settlement Agreement provides that the Terminated Agreements shall be terminated  
3 upon the Closing Date, with no further liabilities to the estate. The mutual, agreed termination of  
4 the Terminated Agreements avoids the need to reject the Terminated Agreements, and with them  
5 any claims for damages arising from the rejection. As described above, the remaining payments  
6 under the All Care PSA alone, absent termination, would be in excess of \$20 million. Thus,  
7 absent the Settlement Agreement, the rejection of the All Care PSA could result in a substantial  
8 claim with a material impact on the recoveries to general unsecured creditors.

9 9. In addition to resolving claims under the Terminated Agreements, the Settlement  
10 Agreement will result in All Care's retention of up to fifteen Clinic employees. If not for the  
11 Settlement Agreement, upon rejection of the All Care Agreements, VMF would terminate the  
12 employment of the Hired Employees. By retaining the Hired Employees, All Care is agreeing to  
13 assume certain employment related costs and alleviates the estates from termination costs related  
14 to those employees.

15 10. The Debtors engaged in extensive, arms-length negotiations with All Care and its  
16 advisors over the terms of the Settlement Agreement. While the sale proceeds are a small part of  
17 the overall Settlement Agreement, the proceeds from the sale will generate funds for the benefit of  
18 the estate in the form of the book value of the Clinic's inventory. Also, as part of the  
19 consideration for the Settlement Agreement, All Care will assume the obligations under the  
20 Designated Contracts and liabilities for the Hired Employees. A failure to consummate a sale of  
21 the Purchased Assets to All Care would result in virtually no return to the estates for the Purchased  
22 Assets and the rejection of the All Care Agreements, causing the estates to incur additional claims.  
23 Accordingly, I have concluded that the proposed sale of the Purchased Assets to All Care is in the  
24 best interests of the Debtors' Estates.

25 11. The Debtors seek the Court's authority to assume and assign to All Care, pursuant  
26 to the terms of the Settlement Agreement, all of the Designated Contracts upon the Closing Date.  
27 The Debtors do not believe that any cure costs are owed with respect to the Designated Contracts.  
28 However, to the extent any cure costs are found to exist, pursuant to the Settlement Agreement,



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1 All Care shall pay the cure costs associated with each Designated Contract directly to each  
2 contract counter-party on or prior to the Closing Date. The All Care Agreements, including the  
3 Slauson Lease, listed in Exhibit A to the Rejection Motion which are not included in the list of  
4 Designated Contracts and are not terminated in accordance with the Settlement Agreement will  
5 remain subject to the Rejection Motion and, thus, shall be rejected by the Debtors.

6 12. The Designated Contracts consist of contracts with managed care organizations for  
7 which All Care has agreed to accept all obligations. The assignment of the Designated Contracts  
8 to All Care is necessary to effectuate the sale of the Purchased Assets to All Care so that All Care  
9 can continue to operate the Clinic. Thus, the Debtors have exercised their reasonable business  
10 judgment in assuming and assigning the Designated Contracts to All Care.

11 13. During the course of negotiations on the Settlement Agreement, All Care has  
12 simultaneously engaged in discussions with the counter-parties to the Designated Contracts for a  
13 continuing relationship under the Designated Contract. Upon information and belief, each  
14 counter-party to a Designated Contract has agreed to the assignment of its contract to All Care.  
15 Moreover, such counter-parties have adequate assurance that All Care will continue to perform  
16 under the terms of the Designated Contracts because All Care has managed the Clinic in the past  
17 and will continue to operate the Clinic in accordance with the Designated Contracts going  
18 forward.

19 I declare under penalty of perjury and of the laws in the United States of America, the  
20 foregoing is true and correct.

21 Executed this 2<sup>nd</sup> day of January, 2018, at Los Angeles, California.

22  
23  
24 [TO BE SUBMITTED]  
RICHARD G. ADCOCK

# EXHIBIT 1

# EXHIBIT 1

## SETTLEMENT AND ASSET PURCHASE AGREEMENT

This SETTLEMENT AND ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of January 2, 2019, is by and between All Care Medical Group, Inc., a California corporation ("Buyer"); Verity Medical Foundation, a California nonprofit public benefit corporation ("Seller"); and Verity Health System of California, Inc., a California nonprofit public benefit corporation ("VHS").

WHEREAS, Seller, VHS and their affiliated debtors (collectively, the "Debtors") have filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"), pending in the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the "Bankruptcy Court") under lead Case No. 2:18bk-20151-ER (the "Bankruptcy Case");

WHEREAS, Buyer and Seller are parties to that certain Professional Services Agreement dated December 31, 2012 (the "PSA") and Debtors have moved in the Bankruptcy Case to reject the PSA and certain other contracts and leases related to Buyer (the "Rejection Motion");

WHEREAS, Buyer and the Debtors desire to resolve certain issues related to the Rejection Motion, and, in connection therewith, Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, certain assets located at Seller's clinic located at 2675 E. Slauson Avenue, Huntington Park, CA 90255 (the "Clinic"), and to enter into certain related agreements; and

WHEREAS, Buyer and Seller intend to effectuate the settlement and sale of the Purchased Assets (defined below) contemplated by this Agreement by seeking approval of the Agreement by the Bankruptcy Court pursuant to a motion filed under Federal Rule of Bankruptcy Procedure 9019, incorporating a request for approval of the sale under Section 363 of the Bankruptcy Code (the "Settlement and Sale Motion").

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, and for their mutual reliance and incorporating into this Agreement the above recitals, the parties hereto agree as follows:

1. Purchased Assets. Subject to final approval of the transactions contemplated by this Agreement by the Bankruptcy Court and upon the terms and subject to the conditions contained in this Agreement, Seller will sell to Buyer and Buyer will purchase from Seller on the Closing Date (as defined in Section 3 below) the following interest, rights and other assets of Seller (collectively, the "Purchased Assets"):

A. all of the tangible personal property owned by Seller and used in the operation of the Clinic, including equipment, furniture, machinery, vehicles and office furnishings (the "Personal Property");

B. all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables (i) located at the Clinic, or (ii) used in any way in the operation of or at the Clinic (the "Inventory");

C. all of the following to the extent legally transferrable and not subject to prior consent of any third party: operating manuals, forms, files, books, records, documents and computer software with respect to the Clinic, including, without limitation, all patient records, medical records, employee records, financial records, equipment records, electronic medical records;

D. the right to use any trademarks, service marks, trademark and service mark registrations and registration applications, trade names, trade name registrations, logos, domain names, trade dress, copyrights, copyright registrations, website content, know-how, trade secrets and the corporate or company names of the Clinic, together with all rights to sue and recover damages for infringement, dilution, misappropriation or other violation or conflict associated with any of the foregoing;

E. all goodwill of the Clinic;

F. to the extent used primarily with respect to the operation of the Clinic, all of Seller's web sites, URLs, and social media accounts, including but not limited to, Facebook and LinkedIn;

G. to the extent used primarily with respect to the Clinic and transferrable or assignable, Seller's right, title and interest in and to the telephone and facsimile numbers used with respect to the operation of the Clinic;

H. all of Seller's interest, to the extent assignable or transferable, in and to all contracts and agreements (including, but not limited to, purchase orders) with respect to the operation of the Clinic that have been designated by Buyer as a contract to be assumed pursuant to Section 7 (the "Assumed Contracts").

2. Excluded Assets. Notwithstanding anything to the contrary in Section 1, Seller shall retain all interests, rights and other assets owned directly or indirectly by it (or any of such Seller's affiliates) which are not among the Purchased Assets, including, without limitation, the following interests, rights and other assets of Seller (collectively, the "Excluded Assets"):

A. cash, cash equivalents and short-term investments, provided that any cash or cash equivalents generated by the services, goods, products and supplies provided by or performed by Buyer, its principals, staff and agents after the Closing Date shall not be deemed to fall within the definition of Excluded Assets;

B. all accounts and interest thereupon, notes and interest thereupon and other receivables of such Seller, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, and Seller Cost Report settlements related thereto, in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Clinic, billed and unbilled, recorded and unrecorded, for services, goods, products and supplies provided prior to the Closing Date whether payable by Medicare, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source (collectively, "Accounts Receivable") generated on or before the Closing Date;

3. Closing Date. Subject to the satisfaction or waiver of the conditions set forth herein, the consummation of the transactions contemplated by this Agreement, which have been approved by the Bankruptcy Court, shall take place within five (5) business days following the satisfaction or waiver of all other conditions to Closing set forth in Section 15, at the offices of Dentons US LLP, 601 South Figueroa St., Suite 2500, Los Angeles, CA 90017-5704 (or on such other date at such other time and place as the parties shall agree in writing) (the "Closing Date"). Unless otherwise agreed in writing by all parties to this Agreement, the Closing Date shall occur no later than January 31, 2019.

4. Purchase Price. In consideration of the sale, conveyance, transfer and delivery of the Purchased Assets, and subject to the terms and conditions herein, in addition to the Assumed Liabilities (defined below), Buyer agrees to pay an aggregate purchase price for the Purchased Assets of \$1.00 plus an amount equal to the book value of Inventory as of the Closing Date (the "Inventory Adjustment"), provided, however, the Inventory Adjustment shall be no more than \$25,000.00. If the book value of Inventory on the Closing Date is greater than \$25,000.00, Buyer shall return Inventory to Seller in such amount as is necessary to reduce the book value of Inventory on the Closing Date to \$25,000.00. The Inventory Adjustment shall be determined within the thirty (30) day period immediately following the Closing Date. The sum of \$1.00 plus the Inventory Adjustment shall be the "Purchase Price". The

Purchase Price shall be delivered by Buyer to Seller (or its designee) within 5 days of Seller's delivery to Buyer of the computation of the Inventory Adjustment by wire transfer to such account(s) as may be designated by Seller.

5. Liabilities. Buyer and Seller each acknowledge and agree that Buyer is purchasing only the Purchased Assets and assuming only (a) the liabilities set forth in Section 7 and Section 10 and (b) Seller's obligations under the assigned Managed Care Agreements described in Section 11 (collectively, the "Assumed Liabilities"), and Buyer is not assuming any other liabilities of Seller (all such other liabilities, including but not limited to Seller's accounts receivable, being retained by Seller).

6. Bill of Sale. On the Closing Date, Buyer and Seller shall enter into a bill of sale in substantially the form set forth on Exhibit A attached hereto.

7. Assignment of Contracts: Seller seeks to assign and Buyer seeks to assume and accept assignment of the contracts listed on Exhibit B hereto effective as of the Closing Date (the "Designated Contracts"). Buyer reserves the right to amend Exhibit B until the day prior to the hearing to approve the Settlement and Sale Motion. Seller shall provide notice to counter-parties to the Designated Contracts of the Seller's intent to assume and assign the Designated Contracts and the proposed cure costs, if any, for such Designated Contracts. On or before the Closing Date, Buyer shall pay all cure costs associated with a Designated Contract directly to the counter-party to a Designated Contract that is assumed and assigned pursuant to this Agreement. Buyer hereby agrees to indemnify, defend and hold harmless Seller, VHS and their affiliates from and against any and all liabilities assumed by Buyer under any Designated Contract that is assumed and assigned under this Agreement. Seller hereby agrees to indemnify, defend and hold harmless Buyer and its affiliates from and against any and all liabilities not assumed and assigned to Buyer pursuant to this Agreement.

8. Real Property. Effective on the Closing Date, Seller shall reject the real property lease with Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC for the Clinic (the "Lease"). Buyer shall be solely responsible for the negotiation of any new lease from the landlord or sub-landlord for any continued occupancy beyond the Closing Date (the "New Lease"). Buyer hereby agrees to indemnify, defend and hold harmless Seller, VHS and their affiliates from and against any and all liabilities under any New Lease.

9. Termination of Certain Agreements. On the Closing Date, Buyer and Seller hereby agree that (a) that certain Professional Services Agreement, dated December 31, 2012, between Buyer and DCHS Medical Foundation, a California nonprofit religious corporation, (b) that certain Risk Share Agreement, dated March 1, 2013, between Buyer and St. Francis Medical Center and (c) any other agreements between Buyer and any physicians working at the Clinic, on the one hand, and any VHS affiliate, on the other hand, including all medical directorship agreements (collectively, the "Terminated Agreements"), are hereby terminated by mutual agreement and without liability to the parties thereto, and shall therefore have no further force and effect; provided, however, that any rights of either party arising prior to the termination of the Terminated Agreements shall continue in full force and effect and shall not be deemed waived, released or otherwise affected by such termination and the parties reserve all rights with respect to such rights arising prior to the termination of the Terminated Agreements. Notwithstanding the termination date of the Professional Services Agreement referred to in section 9(a) above, Seller and Buyer agree that Base Compensation and any bonus compensation payments due to the physicians currently working at the Clinic from the Seller under the Professional Service Agreement will cease as of December 31, 2018, and that no other compensation will be due from the Seller to such physicians after December 31, 2018.

10. Employment. Buyer agrees to make offers of employment, effective as of the Closing Date, to employees of the Clinic listed in Exhibit C attached hereto. Any of the Clinic's employees who accept an offer of employment with Buyer as of or after the Closing Date shall be referred to as the "Hired Employees." All Hired Employees shall cease to be employees of Seller or its affiliates as of the Closing Date. Buyer shall provide all Hired Employees with substantially similar benefits as the Hired Employees

received while employed by Seller immediately prior to the Closing Date and Buyer hereby assumes all paid time off (“PTO”) accrued by the Hired Employees prior to the Closing Date. Buyer shall give all Hired Employees full credit for PTO pay accrued as of the Closing Date, either by (i) crediting such employees the time off reflected in the employment records of Seller and/or any of its affiliates immediately prior to the Closing Date or (ii) by making full payments to such employees of the amounts which such employees would have received had they taken such PTO.

11. Assignment of Agreements for Managed Care. Buyer represents and warrants that each of (i) California Physicians’ Service, d/b/a Blue Shield of California; (ii) CIGNA HealthCare of California, Inc.; (iii) Easy Choice Health Plan; and (iv) Health Net of California, Inc. have consented to the assignment of the managed care agreements to which VMF, by way of assignment, is a party (collectively, the “Managed Care Agreements”). Except as designated in Exhibit B, no other assignments of contracts for medical services are necessary.

12. Disclaimer of Warranties; Release and Waiver of Claims.

A. THE PURCHASED ASSETS TRANSFERRED TO BUYER WILL BE SOLD BY SELLER AND PURCHASED BY BUYER IN THEIR PHYSICAL CONDITION ON THE CLOSING DATE, “AS IS, WHERE IS AND WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS” WITH NO WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, USAGE, WORKMANSHIP, QUALITY, PHYSICAL CONDITION, OR VALUE, AND ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED. ALL OF THE PROPERTIES, ASSETS, RIGHTS, LICENSES, PERMITS, PRIVILEGES, LIABILITIES, AND OBLIGATIONS OF SELLER INCLUDED IN THE PURCHASED ASSETS, THE ASSUMED LIABILITIES ARE BEING ACQUIRED OR ASSUMED “AS IS, WHERE IS” ON THE CLOSING DATE AND IN THEIR PRESENT CONDITION, WITH ALL FAULTS AND WITH ALL EXISTING LIENS, WHETHER KNOWN OR UNKNOWN. ALL OF THE TANGIBLE PURCHASED ASSETS SHALL BE FURTHER SUBJECT TO NORMAL WEAR AND TEAR AND NORMAL AND CUSTOMARY USE OF THE INVENTORY AND SUPPLIES IN THE ORDINARY COURSE OF BUSINESS UP TO THE CLOSING DATE.

B. Buyer acknowledges that Buyer will be examining, reviewing and inspecting all matters which in Buyer’s judgment bear upon the Purchased Assets, Seller, VHS, the Clinic, the business of the Clinic and their value and suitability for Buyer’s purposes and is relying solely on Buyer’s own examination, review and inspection of the Purchased Assets and Assumed Liabilities.

C. Buyer hereby, jointly and severally, releases VHS, its affiliates and their respective predecessors, successors, corporate parents, subsidiaries, affiliates, present or former trustees, directors, officers, attorneys, agents and employees from any and all claims, suits, damages, liabilities, costs, losses, interest, or expenses of any kind or nature whatsoever, which have arisen or could arise (i) under this Agreement, the Purchased Assets, or their suitability for any purpose whatsoever and (ii) from all responsibility and liability regarding the Terminated Agreements, including, but not limited to, any liabilities and damages arising from the termination of the Terminated Agreements.

D. Buyer acknowledges that the representations and warranties of Seller contained in Section 13 are the sole and exclusive representations and warranties made by Seller to Buyer.

E. With respect to the claims identified and released pursuant to Sections 12(C) and (D) of this Agreement, Buyer hereby waives and releases any and all rights under Section 1542 of the California Civil Code as said statute pertains to the claims being released hereunder. California Civil Code Section 1542 reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER INTERIM SETTLEMENT WITH THE DEBTOR."

Buyer expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated damages within the scope of the releases set forth in Sections 11(C) and (D) herein, as well as those that are now disclosed.

13. Representations and Warranties of Seller. Seller represents and warrants to Buyer as follows:

A. Seller has full power and authority to enter into this Agreement, to perform its obligations hereunder and carry out the transactions contemplated herein. No additional internal consents (other than bankruptcy court approval for this Agreement) are required in order for Seller to perform its obligations and agreements hereunder.

B. Seller has good and marketable title to all of the Purchased Assets, and, subject to Bankruptcy Court approval of the Agreement, is entitled to transfer the Purchased Assets free and clear of any liens or encumbrance or restriction on transfer as set forth in Section 363 of the Bankruptcy Code.

C. This Agreement has been duly and validly executed and delivered by Seller and, assuming due and valid execution by Buyer, this Agreement constitutes a valid and binding obligation of Seller enforceable in accordance with its terms subject to (a) applicable Bankruptcy Court approval and bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies.

D. Seller is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State of California. Seller has all necessary power and authority to own, operate and lease its properties and to carry on its businesses as now conducted.

E. Neither the execution and delivery by Seller of this Agreement nor the consummation of the transactions contemplated hereby by Seller nor compliance with any of the material provisions hereof by Seller, will violate, conflict with or result in a breach of any material provision of Seller's articles of incorporation or bylaws or any other organizational documents of Seller or any contract, lease or other instrument by which Seller is bound; (b) require any approval or consent of, or filing with, any governmental agency or authority (other than approval from the Bankruptcy Court), (c) violate any law, rule, regulation, or ordinance to which Seller is or may be subject, (d) violate any judgment, order or decree of any court or other governmental agency or authority to which Seller is subject.

14. Representations and Warranties of Buyer. Buyer represents and warrants to Seller as follows:

A. Buyer has full power and authority to enter into this Agreement and has full power and authority to perform its obligations hereunder and to carry out the transactions contemplated hereby. No additional internal consents are required in order for Buyer to perform its obligations and agreements hereunder.

B. This Agreement has been duly and validly executed and delivered by Buyer and, assuming due and valid execution by Seller, this Agreement constitutes a valid and binding obligation of Buyer enforceable in accordance with its terms subject to (a) applicable bankruptcy,

reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies.

C. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of California, is or will be duly authorized to transact business in the State of California, and has full power and authority to own, operate and lease its properties and to carry on its business as now conducted.

D. Neither the execution and delivery by Buyer of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the material provisions hereof by Buyer will (a) violate, conflict with or result in a breach of any material provision of the Articles of Incorporation, Bylaws or other organizational documents of Buyer or any contract, lease or other instrument by which Buyer is bound; (b) require any approval or consent of, or filing with, any governmental agency or authority, (c) violate any law, rule, regulation, or ordinance to which Buyer is or may be subject, (d) violate any judgment, order or decree of any court or other governmental agency or authority to which Buyer is subject.

E. Buyer acknowledges that it is purchasing the Purchased Assets on an "AS IS, WHERE IS" basis, and that Buyer is not relying on any representation or warranty (expressed or implied, oral or otherwise) made on behalf of Seller other than as expressly set forth in this Agreement. Buyer further acknowledges that Seller is not making any representations or warranties herein relating to the Purchased Assets or the operation of the Clinic on and after the Closing Date.

F. Buyer warrants that from January 1, 2019 through the Closing Date, medical services and procedures performed at the Clinic shall not deviate materially from historical practice, including referrals of patients to third party providers.

15. Covenants of Buyer and Seller.

A. Upon the terms and subject to the conditions set forth in this Agreement, each of the parties agrees to use reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement.

B. Seller will use its reasonable best efforts to cause or obtain the satisfaction of the conditions applicable to Seller specified in Sections 16(A) and (C) below. Buyer will use its reasonable best efforts to cause or obtain the satisfaction of the conditions applicable to Buyer specified in Sections 16(A) and (B) below.

C. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby including, without limitation, the fees and disbursements of counsel, financial advisors and accountants, shall be paid by the party incurring such costs and expenses.

D. Seller shall exercise reasonable efforts to obtain an "Sale Order" approving this Agreement, subject to its obligations in respect of any better and higher offer for Seller's assets in accordance with the Bankruptcy Code. For purposes of this Agreement, the term "Sale Order" shall mean an order of the Bankruptcy Court authorizing the settlements proposed herein and sale of the Purchased Assets to Buyer pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure and Section 363 of the Bankruptcy Code consistent with this Agreement and in a form reasonably satisfactory to Buyer.



E. Seller shall seek an order from the Bankruptcy Court retaining jurisdiction over all matters relating to claims against Seller as debtor solely in the Bankruptcy Court.

F. In the event an appeal is taken or a stay pending appeal is requested from the Sale Order, Seller shall immediately notify Buyer of such appeal or stay request and shall provide to Buyer promptly a copy of the related notice of appeal or order of stay. Seller shall also provide Buyer with written notice of any motion or application filed in connection with any appeal from either of such orders. In the event of an appeal of the Sale Order, Seller shall be primarily responsible for drafting pleadings and attending hearings as necessary to defend against the appeal.

16. Conditions to the Obligations of the Parties.

A. Conditions to Each Party's Obligations. The respective obligations of each party to effect the transactions contemplated by this Agreement shall be subject to the fulfillment on or prior to the Closing Date of the following conditions:

(i) No court or other governmental entity having jurisdiction over Seller or Buyer, or any of their respective subsidiaries, shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is then in effect and has the effect of making the transactions contemplated by this Agreement illegal.

(ii) The Bankruptcy Court shall have entered the Sale Order, which Sale Order shall not have been reversed or subject to any stay. The Sale Order shall be in form and substance acceptable to Buyer in its reasonable discretion.

B. Conditions to Obligation of Seller. The obligation of Seller to effect the transactions contemplated by this Agreement shall be subject to the fulfillment on or prior to the Closing Date of the condition that Buyer shall have performed in all material respects each of its covenants and agreements contained in this Agreement required to be performed on or prior to the Closing Date, including payment of the Purchase Price, and each of the representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date as if made on and as of such date.

C. Conditions to Obligations of Buyer. The obligations of Buyer to effect the transactions contemplated by this Agreement shall be subject to the fulfillment on or prior to the Closing Date of the condition that Seller shall have performed in all material respects each of its covenants and agreements contained in this Agreement required to be performed on or prior to the Closing Date, and each of the representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date as if made on and as of such date.

17. Termination. This Agreement may be terminated in writing at any time prior to the Closing Date:

A. By Buyer, (i) if the Closing Date does not occur prior to January 31, 2019, and such failure is not due to a breach by Buyer or (ii) no Sale Order has been entered by January 31, 2019; other than due to Buyer's breach of this Agreement;

B. By Seller, (i) if the Closing Date does not occur by January 31, 2019 and such failure is not due to a breach by Seller or (ii) no Sale Order has been entered by January 31, 2019; other than due to Seller's breach of this Agreement; or

C. By Buyer or Seller if, before the Closing Date, the other party is in material breach of any representations, warranty, covenant or agreement contained herein and has not cured the same.

18. Governing Law. This Agreement and the agreements executed in connection herewith shall be governed by the laws of the State of California (regardless of the laws that might otherwise govern under applicable principles of conflicts of law of the State of California) as to all matters including, but not limited to, matters of validity, construction, effect, performance and remedies.

19. Dispute Resolution. So long as the Bankruptcy Case remains open, the parties may enforce this Agreement in the Bankruptcy Court and consent to the Bankruptcy Court's jurisdiction with respect to all such matters.

20. Further Assurances. From time to time after the closing, at Buyer's request, and without further consideration from Buyer, Seller shall execute and deliver such other instruments of conveyance and transfer and take such other actions as Buyer reasonably may require to convey, transfer to and vest in Buyer and to put Buyer in possession of the Purchased Assets.

21. Waiver of Compliance; Consents. Any failure of Seller on the one hand, or Buyer on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived in writing by Buyer or by Seller, respectively, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 21.

22. Expenses. Each party will pay its own legal, accounting and other expenses incurred by such party or on its behalf in connection with this Agreement and the transactions contemplated herein.

23. Miscellaneous. This Agreement and all of the provisions hereof and the other documents or agreements contemplated hereby shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder or under any of the other documents or agreements contemplated hereby shall be assigned by either party without the written consent of the other party. This Agreement constitutes the product of the negotiation of the parties hereto and the enforcement hereof shall be interpreted in a neutral manner, and not more strongly for or against any party based upon the source of the draftsmanship hereof. This Agreement may be executed in separate counterparts, each of which when so executed shall be an original, but all of such counterparts shall together constitute but one and the same instrument. The article and section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. This Agreement, which term as used throughout includes the Exhibits hereto, embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the Closing Date.

**SELLER:**

VERITY MEDICAL FOUNDATION

By: \_\_\_\_\_  
Name: Stephen Campbell, M.D.  
Title: Chief of Physician Operations

**VHS:**

VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

By: \_\_\_\_\_  
Name: Rich Adcock  
Title: Chief Executive Officer

**BUYER:**

ALL CARE MEDICAL GROUP, INC.

By: \_\_\_\_\_  
Name: Pierre Espenan  
Title: Chief Executive Officer

## BILL OF SALE

This Bill of Sale (this "Bill of Sale") is made and entered into as of this [ ] day of [ ], 201[ ], by and among by and among All Care Medical Group, Inc., a California corporation ("Buyer"); Verity Medical Foundation, a California nonprofit public benefit corporation ("Seller"); and Verity Health System of California, Inc., a California nonprofit public benefit corporation ("VHS"). Seller, VHS and Buyer may each be referred to herein as a "Party," and collectively as the "Parties."

The Parties are entering into this Bill of Sale pursuant to that certain Settlement and Asset Purchase Agreement entered into by the Parties as of December \_\_, 2018 (the "Purchase Agreement"). Capitalized terms used herein that are not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement. By this instrument, the Parties, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. **Sale and Assignment.** Subject to the terms of the Purchase Agreement, effective as of the Closing, Seller hereby sells, assigns, transfers, conveys, and delivers to Buyer, and Buyer accepts and acquires from Seller, all of Seller's right, title and interest in and to the Purchased Assets (including but not limited to the Assumed Contracts) as described in Section 1.H. of the Purchase Agreement.

2. **Miscellaneous Provisions.**

A. **Purchase Agreement.** This Bill of Sale is executed and delivered in connection with the Purchase Agreement. Notwithstanding anything herein to the contrary, nothing herein shall in any way alter or waive the promises, agreements, and covenants set forth in the Purchase Agreement, and in the event of a conflict between the terms of this Bill of Sale and the Purchase Agreement, the Purchase Agreement shall control.

B. **Notices.** All notices or other communications or deliveries provided for hereunder shall be given as provided in the Purchase Agreement.

C. **Successors in Interest.** This Bill of Sale and all of the provisions hereof shall be binding upon, and inure to the benefit of, the successors and assigns of the parties hereto permitted under the Purchase Agreement.

D. **Governing Law; Venue.** This Bill of Sale shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law. For so long as Seller is subject to the jurisdiction of the Bankruptcy Court, the Parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with this Bill of Sale, and consent to the exclusive jurisdiction of, the Bankruptcy Court, and thereafter, the Parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with this Bill of Sale, and consent to the exclusive jurisdiction of, the courts in Los Angeles County, California. The Parties hereby consent to the jurisdiction of such courts and waive their right to challenge any proceeding involving or relating to this Bill of Sale on the basis of lack of jurisdiction over the person or forum non conveniens.

E. **Counterparts.** This Bill of Sale may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement, **binding** on all of the Parties. The Parties agree that signatures to this Bill of Sale created by the signer by **electronic** means shall be valid and effective to bind the Party so signing, and signatures transmitted by facsimile or electronic pdf shall be deemed originals for all purposes hereof and that a Party may produce such copies, without the need to produce original signatures, to prove the existence of this Bill of Sale in any proceeding brought hereunder.

F. **Amendment.** This Bill of Sale may not be amended or altered except by a written instrument executed by all of the Parties.

*[Signature Page Follows]*

IN WITNESS WHEREOF, this Bill of Sale has been duly executed as of the date first written above.

**SELLER:**

VERITY MEDICAL FOUNDATION

By: \_\_\_\_\_  
Name: Stephen Campbell, M.D.  
Title: Chief of Physician Operations

**VHS:**

VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

By: \_\_\_\_\_  
Name: Rich Adcock  
Title: Chief Executive Officer

**BUYER:**

ALL CARE MEDICAL GROUP, INC.

By: \_\_\_\_\_  
Name: Pierre Espenan  
Title: Chief Executive Officer

Designated Contracts

#	Agreement	Debtor Party	Counterparty
1.	HMO IPA / Medical Group Provider Agreement <ul style="list-style-type: none"><li>• Assignment of Contract and Consent</li><li>• Amendments</li><li>• Agreement</li></ul>	VMF f/k/a DCHS Medical Foundation (assigned by All Care Medical Group, Inc.)	California Physicians' Service, d/b/a Blue Shield of California
2.	Capitated Physician Group Services Agreement <ul style="list-style-type: none"><li>• Assignment of Contract and Consent</li><li>• Amendments</li><li>• Agreement</li></ul>	VMF f/k/a DCHS Medical Foundation (assigned by All Care Medical Group, Inc.)	CIGNA HealthCare of California, Inc.
3.	Capitated IPA Agreement <ul style="list-style-type: none"><li>• Assignment of Contract and Consent</li><li>• Contract Addendum</li><li>• Agreement</li></ul>	VMF f/k/a DCHS Medical Foundation (assigned by All Care Medical Group, Inc.)	Easy Choice Health Plan
4.	Provider Participation Agreement <ul style="list-style-type: none"><li>• Assignment and Delegation of Provider Participation Agreement and Consent to Assignment</li><li>• Amendments</li><li>• Agreement</li></ul>	All Care Medical Group, assigned to VMF f/k/a Daughters of Charity Health System Medical Foundation	Health Net of California, Inc.

Clinic Employees

1. Galicia, Louis
2. Brown, Jared P.
3. Cortez Daugherty, Tonancy
4. De Lira, Alma
5. Duarte, Christina
6. Flores-Guzman, Maria I.
7. Garcia, Jaxiry
8. Lehman, Stephanie
9. Lemes, Rosibel
10. Medina, Dora
11. Olivares, Jacqueline
12. Rana, Chandrakant T
13. Ruiz Vazquez, Esmeralda
14. Ruiz, Maria
15. Santoyo, Gisell