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**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  
Dialysis, 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-20181-ER

Chapter 11

Hon. Judge Ernest M. Robles

**SUNQUEST INFORMATION  
SYSTEMS, INC.'S OBJECTION  
TO PROPOSED CURE AMOUNTS  
FOR EXECUTORY CONTRACTS  
AND RESERVATION OF RIGHTS**

Sunquest Information Systems, Inc. (“Sunquest”), by and through undersigned counsel, files this reservation of rights and objection to the proposed cure amounts indicated in the Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors that May Be Assumed and Assigned [Docket No. 1704] (the “Cure Amount Notice”) filed by Verity Health System of California, Inc. and the other above-captioned debtors-in-possession (collectively the “Debtors”) on March 5, 2019. In support of the Objection, Sunquest states the following:

1. On March 5, 2019, the Debtors filed the Cure Amount Notice. The Cure Amount Notice identifies executory contracts that may be assumed and assigned to a purchaser and proposes cure amounts to be paid to each counterparty as required by 11 U.S.C. § 365(b)(1).

2. Pursuant to Bankruptcy Code section 365(b)(1), prior to assuming an executory contract, a debtor-in-possession must (a) cure or provide adequate assurance that it will promptly cure all defaults under the assumed contract; and (b) provide adequate assurance of future performance under an assumed contract. 11 U.S.C. § 365(b)(1).

3. The Cure Amount Notice identifies the following executory contract between Sunquest and Verity which may be assumed and assigned, and indicates the proposed cure amount to be paid to Sunquest is \$939,089.07:

480 Verity Health System of California, Inc.	Sunquest Information Systems, Inc. (fka Misys Hospital Systems, Inc.)	License-Software	6/30/2019				
481 Verity Health System of California, Inc.	Sunquest Information Systems, Inc. (fka Misys Hospital Systems, Inc.)	License-Software	6/30/2019				
482 Verity Health System of California, Inc.	Sunquest Information Systems, Inc. (fka Misys Hospital Systems, Inc.)	Services-Software Maintenance and Support	6/30/2019	\$0.00	\$1,617.00	\$22,702.49	\$939,089.07
483 Verity Health System of California, Inc.	Sunquest Information Systems, Inc. (fka Misys Hospital Systems, Inc.)	License-Software	Evergreen				
484 Verity Health System of California, Inc.	Sunquest Information Systems, Inc. (fka Misys Hospital Systems, Inc.)	License-Software	6/30/2019				
485 Verity Health System of California, Inc.	Sunquest Information Systems, Inc. (fka Misys Hospital Systems, Inc.)	Services-Software Maintenance and Support	6/30/2019				

(Cure Amount Notice at Ex. A, Part 4, p. 6, lines 480-85.)

1           4.       Sunquest provides software solutions that fully automate the operations of  
2 medical laboratories and diagnostic processes across the range of care services. Sunquest  
3 licensed its comprehensive laboratory information system (“LIS”) to Verity Health  
4 System, and has provided supplemental solutions, hardware and support and maintenance  
5 services, including providing critical updates to the software, on a post-petition basis, all in  
6 accordance with the parties’ Master System Acquisition Agreement, and its Supplements  
7 and Addenda (the “Sunquest Agreement”). The integrated LIS licensed by Verity under  
8 the Sunquest Agreement has been in use continuously prior to and since the filing of these  
9 Chapter 11 cases on August 31, 2018 (the “Petition Date”), and serves as the primary  
10 system managing critical functions and workflows at Verity’s Southern and Northern  
11 California facilities, including at St. Vincent Medical Center, Seton Medical Center and  
12 O’Connor Hospital. Among other things, the LIS manages laboratory orders, automates  
13 the workflows associated with tests performed in the laboratory including specimen and  
14 results management, and interfaces with laboratory instruments and other critical  
15 laboratory and hospital information systems. Uninterrupted functioning of the LIS is  
16 essential to the continued operations of the labs and the provision of healthcare services in  
17 the facilities utilizing the LIS.

18           5.       As of the date of this Objection, the correct cure amount due to Sunquest  
19 from Verity for assumption and/or assignment of the Sunquest Agreement is  
20 \$1,127,233.34. Sunquest believes the documentation and evidence in support of that  
21 amount is already in the Debtors’ possession. Because that documentation and evidence  
22 includes confidential and proprietary information, Sunquest will not publicly file such  
23 supporting information, but will gladly provide it to the Debtors as needed so long as  
24 appropriate protections are in place to ensure confidentiality.

25           6.       Sunquest objects to the cure amount stated in the Debtors’ Cure Amount  
26 Notice and reserves all rights to raise any concerns as to adequate assurance of future  
27 performance if and when the successful bidder is identified and the Sunquest Agreement is  
28 among the executory contracts identified by such buyer for assumption and assignment.

7. Accordingly, Sunquest respectfully requests that the Court (a) deny approval of the Cure Amount Notice solely as to the Sunquest Agreement, or, alternatively, require that the Debtors amend the Cure Amount Notice as to the Sunquest Agreement consistent with this objection; and (b) grant Sunquest such other and further relief to which it may be entitled.

Respectfully Submitted

Dated: March 22, 2019

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By

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/s/ Ori Katz

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