United States Bankruptcy Court for the Central District of California

Indicate Debtor against which you assert a claim by checking the appropriate box below. (**Check only one Debtor per claim form**.)

- ☑ Verity Health System of California, Inc. (Case No.18-20151)
- ☐ De Paul Ventures – San Jose Dialysis, LLC (Case No. 18-20181)
- ☐ De Paul Ventures, LLC (Case No. 18-20176)
- ☐ O'Connor Hospital (Case No. 18-20168)
- ☐ O'Connor Hospital Foundation (Case No. 18-20179)
- ☐ Saint Louise Regional Hospital Foundation (Case No. 18-20172)
- ☐ Seton Medical Center (Case No. 18-20167)
- ☐ Seton Medical Center Foundation (Case No. 18-20175)
- ☐ St. Francis Medical Center (Case No. 18-20165)
- ☐ St. Francis Medical Center of Lynwood Foundation (Case No. 18-20178)
- ☐ St. Louise Regional Hospital (Case No.18-20162)
- ☐ St. Vincent Dialysis Center, Inc. (Case No. 18-20171)
- ☐ St. Vincent Foundation (Case No. 18-20180)
- ☐ St. Vincent Medical Center (Case No. 18-20164)
- ☐ Verity Business Services (Case No. 18-20173)
- ☐ Verity Holdings, LLC (Case No. 18-20163)
- ☐ Verity Medical Foundation (Case No. 18-20169)

Official Form 410
Proof of Claim

04/16

Read the instructions before filling out this form. This form is for making a claim for payment in a bankruptcy case. Do not use this form to make a request for payment of an administrative expense. Make such a request according to 11 U.S.C. § 503.

Filers must leave out or redact information that is entitled to privacy on this form or on any attached documents. Attach redacted copies or any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. **Do not send original documents;** they may be destroyed after scanning. If the documents are not available, explain in an attachment.

A person who files a fraudulent claim could be fined up to $500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Fill in all the information about the claim as of the date the case was filed.

Part 1: Identify the Claim

1. Who is the current creditor?

Lynn Morris, Hilda Daily, and Noe Guzman, in their own right and on behalf of all persons similarly situated

Name of the current creditor (the person or entity to be paid for this claim)

Other names the creditor used with the debtor ______

2. Has this claim been acquired from someone else?

☑ No

☐ Yes. From whom? ______

3. Where should notices and payments to the creditor be sent?

Federal Rule of Bankruptcy Procedure (FRBP) 2002(g)

Where should notices to the creditor be sent?	Where should payments to the creditor be sent? (if different)
Name: Emily Rich, Weinberg, Roger & Rosenfeld	Name:
Number Street: 1001 Marina Village Parkway, Suite 200	Number Street:
City: Alameda State: CA ZIP Code: 94501	City State ZIP Code
Country: USA	Country:
Contact phone: 510-337-1001	Contact phone:
Contact email: erich@unioncounsel.net	Contact email:

Uniform claim identifier for electronic payments in chapter 13 (if you use one):

___ ___

4. Does this claim amend one already filed?

☑ No

☐ Yes. Claim number on court claims registry (if known) ______ Filed on ______ MM / DD / YYYY

5. Do you know if anyone else has filed a proof of claim for this claim?

☑ No

☐ Yes. Who made the earlier filing? ______

Part 2: **Give Information About the Claim as of the Date the Case Was Filed**

6. **Do you have any number you use to identify the debtor?**

☑ No

☐ Yes. Last 4 digits of the debtor's account or any number you use to identify the debtor: ___ ___ ___ ___

7. **How much is the claim?**

$ 11,070,739.00. **Does this amount include interest or other charges?**

☑ No

☐ Yes. Attach statement itemizing interest, fees, expenses, or other charges required by Bankruptcy Rule 3001(c)(2)(A).

8. **What is the basis of the claim?**

Examples: Goods sold, money loaned, lease, services performed, personal injury or wrongful death, or credit card.

Attach redacted copies of any documents supporting the claim required by Bankruptcy Rule 3001(c).

Limit disclosing information that is entitled to privacy, such as health care information.

Damages for violations of ERISA. See Exhibit A.

9. **Is all or part of the claim secured?**

☑ No

☐ Yes. The claim is secured by a lien on property.

Nature of property:

☐ Real estate: If the claim is secured by the debtor's principal residence, file a *Mortgage Proof of Claim Attachment* (Official Form 410-A) with this *Proof of Claim*.

☐ Motor vehicle

☐ Other. Describe: ____________________

Basis for perfection: ____________________

Attach redacted copies of documents, if any, that show evidence of perfection of a security interest (for example, a mortgage, lien, certificate of title, financing statement, or other document that shows the lien has been filed or recorded.)

Value of property: $__________

Amount of the claim that is secured: $__________

Amount of the claim that is unsecured: $__________ (The sum of the secured and unsecured amount should match the amount in line 7.)

Amount necessary to cure any default as of the date of the petition: $__________

Annual Interest Rate (when case was filed)________%

☐ Fixed

☐ Variable

10. **Is this claim based on a lease?**

☑ No

☐ Yes. **Amount necessary to cure any default as of the date of the petition.** $__________

11. **Is this claim subject to a right of setoff?**

☑ No

☐ Yes. Identify the property: ____________________

12. **Is all or part of the claim entitled to priority under 11 U.S.C. § 507(a)?**

A claim may be partly priority and partly nonpriority. For example, in some categories, the law limits the amount entitled to priority.

☒ No

☐ Yes. *Check all that apply:*

	Amount entitled to priority
☐ Domestic support obligations (including alimony and child support) under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).	$
☐ Up to $2,850* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use. 11 U.S.C. § 507(a)(7).	$
☐ Wages, salaries, or commissions (up to $12,850*) earned within 180 days before the bankruptcy petition is filed or the debtor's business ends, whichever is earlier. 11 U.S.C. § 507(a)(4).	$
☐ Taxes or penalties owed to governmental units. 11 U.S.C. § 507(a)(8).	$
☐ Contributions to an employee benefit plan. 11 U.S.C. § 507(a)(5).	$
☐ Other. Specify subsection of 11 U.S.C. § 507(a)(__) that applies.	$

* Amounts are subject to adjustment on 4/01/19 and every 3 years after that for cases begun on or after the date of adjustment.

Part 3: Sign Below

The person completing this proof of claim must sign and date it. FRBP 9011(b).

If you file this claim electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what a signature is.

A person who files a fraudulent claim could be fined up to $500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Check the appropriate box:

☐ I am the creditor.

☒ I am the creditor's attorney or authorized agent.

☐ I am the trustee, or the debtor, or their authorized agent. Bankruptcy Rule 3004.

☐ I am a guarantor, surety, endorser, or other codebtor. Bankruptcy Rule 3005.

I understand that an authorized signature on this *Proof of Claim* serves as an acknowledgement that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

I have examined the information in this *Proof of Claim* and have reasonable belief that the information is true and correct.

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

Executed on date 03 / 29 / 2019
MM / DD / YYYY

Signature

Print the name of the person who is completing and signing this claim:

Name	Adam (First name)	J (Middle name)	Thomas (Last name)	
Title	Associate			
Company	Weinberg, Roger & Rosenfeld			
	Identify the corporate servicer as the company if the authorized agent is a servicer.			
Address	1001 Marina Village Parkway, Suite 200 (Number Street)			
	Alameda (City)	CA (State)	94501-1091 (ZIP Code)	United States (Country)
Contact phone	(213) 380-2344		Email	athomas@unioncounsel.net

IN RE VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

U.S. BANKRUPTCY COURT, CENTRAL DISTRICT CALIFORNIA

Case No. 18-bk-20151-ER

EXHIBIT A

To Lynn Morris, Hilda Daily, and Noe Guzman, in their own right and on behalf of all persons similarly situated

In re: Verity Health System of California, Inc., et al., Case Number 2:18-bk-20151-ER
United States Bankruptcy Court, Central District of California, Los Angeles Division

EXHIBIT A
(to Official Form 410, Proof of Claim)

SUMMARY OF CLAIM
For Creditor
Lynn C. Morris, Hilda L. Daily, and Noe Guzman, and
all other persons similarly situated

Lynn C. Morris, Hilda L. Daily, and Noe Guzman ("Claimants") make this claim in their own right and on behalf of all persons similarly situated to Claimants with respect to their participation in one or more employee retirement benefit plans sponsored by Verity Health Systems.

Debtor previously established an employee retirement plan known as Verity Health System Retirement Plan ("VHSRP"). On or about December 14, 2015, the VHSRP was restated so as to make it subject to the requirement of the Employee Retirement Income Security Act of 1974 ("ERISA"). The VHSRP has always been operated at the direction of an entity called "The Organization's Benefits Administration Committee" or ("BAC"). The BAC is made of executives working for Verity Health System who are also participants in the VHSRP. As a result, each member of the BAC is a "fiduciary" of VHSRP, as defined at ERISA § 3(21), 29 U.S.C. § 1002(21), and a "party-in-interest" as defined at ERISA § 3(14)(a), 29 U.S.C. § 1002(14)(a).

VHSRP filed its first ERISA-mandated filing with the Secretary of Labor on October 14, 2016 (covering the plan year December 13, 2015) which indicated that VHSRP was "under-funded" by 66.36%. In other words, VHSRP's total assets amounted to only 66.36% of its total current and future liabilities.

On or about December 31, 2016, the BAC approved a "spin-off" of some assets of the VHSRP. This resulted in the VHSRP (the original plan) being renamed Verity Health Systems Retirement Plan A ("Plan A"). Approximately 1,000 participants (which include all members of the BAC) were transferred out of Plan A, and into a newly formed plan named Verity Health Systems Retirement Plan B ("Plan B"). Approximately $7,000,000.00 in assets were taken out of Plan A, and transferred into Plan B. This caused Plan A to become even further "under-funded" by 65.36% (a drop of 1% from the prior period). This represents a total monetary loss of approximately $4,070,739.00 when this 1% funding decrease is multiplied by the total assets of Plan A at the end of the prior period.

Meanwhile, Plan B reported an astonishing "over-funding" of 128.79% over the same period.

In other words, the transfer of assets out of Plan A were used to "over-fund" Plan B, which was set up to benefit an elite group of executives, which includes the BAC. Thus, the BAC used the assets of Plan A to "shore-up" their own retirement security, while simultaneously devaluing the assets of Plan A and threatening the retirement security of all remaining Plan A participants.

Claimants allege that Verity Health Plan, as represented by the BAC, breached various provisions of ERISA upon the "spin-off" of assets from Plan A, and the creation of Plan B.

Claimants will bring a claim for breach of a fiduciary duty of loyalty owed to Claimants (and the prospective class) arising from BAC's decision to over fund Plan B. In so doing, the BAC (collectively, and as individual members) dealt with the assets of Plan A "in their own interest" and for their own benefit and gain in violation of ERISA § 406(b)(1), 29 U.S.C. § 1106(b)(1). They also failed to act "***solely in the interest of the participants and beneficiaries***, and (A) for the exclusive of (i) providing benefits to participants and their beneficiaries; and (ii) defraying reasonable expenses of administering the plan . . ." as required under ERISA §§ 404(a)(1)(A)(i)-(ii), 29 U.S.C. § 1104(a)(1)(A)(i)-(ii).

Claimants will also bring a claim for a breach of a fiduciary duty of prudence owed to Claimants (and the prospective class) pursuant to ERISA § 404(a)(1)(B), 29 U.S.C. § 1104(a)(1)(B). The BAC breached this duty (collectively, and as individual members) when it transferred $7,000,000.00 in assets out of Plan A -- for the exclusive benefit of Plan B participants—which constitutes a failure to act with the requisite "care, skill, prudence, and diligence under the circumstances then prevailing . . . ."

Claimants will bring these claims pursuant to ERISA §§ 502(1)(1)(A) and (B), 29 U.S.C. §§ 1132(a)(1)(A) and (B), which empowers them (as participants and beneficiaries of Plan A) to file suit to: (1) recover benefits due to them under the terms of the plan, and/or (2) enforce their rights under the plan, and/or (3) seek clarification of rights to future benefits under the terms of the plan. Claimants will also bring their lawsuit pursuant to ERISA §§ 502(a)(2) and/or (3), 29 U.S.C. § 1132(a)(2) and/or (3) which also empowers them (as participants and beneficiaries of Plan A) to redress the BAC's breach of fiduciary duties discussed above.

Claimants will seek other equitable relief in the form of an order from the Court reforming Plan A and Plan B so as to unwind the fiduciary breaches caused by the spin-off of Plan B, including an order to place the assets of Plan B back into Plan A, and restate the Plan as a single employee retirement plan for all purposes.

Claimants will also seek an equitable monetary remedy against Verity Health Systems and the BAC (collectively, and jointly and severally as individuals) in the form of surcharge, equal to: (1) the value of investment losses experienced by Plan A on the $7,000,000.00 in assets that were transferred out of Plan A, and (2) any other equitable monetary relief necessary to make Plan A "whole." This includes, but not be limited to, a requirement to pay as much as $4,070,739.00 into the reformed Plan A to fully account for the loss in funding percentage caused by the BAC unlawful decision to create Plan B using assets from Plan A. Total estimated damages are therefore at least $11,070,739.00.

Claimants will also seek attorney's fees under ERISA § 502(g)(1), 29 U.S.C. § 1132(g)(1).

Claimants reserve the right to amend or otherwise supplement the estimate of damages ($11,070,739.00) and also amend or supplement the legal causes of actions indicated above.