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Attorneys for the Chapter 11 Debtors and
Debtors In Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

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 DePaul Ventures, LLC
- ☐ Affects DePaul 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 Cases

Judge: Hon. Ernest M. Robles

**STIPULATION BETWEEN VERITY HEALTH
SYSTEM OF CALIFORNIA, INC., SETON
MEDICAL CENTER, MARK FRATZKE, JAMES
JACKSON AND MARY MEEKO, GRANTING
MARY MEEKO RELIEF FROM THE
AUTOMATIC STAY**

Hearing:

DATE: March 29, 2019
TIME: 10:00 a.m.
PLACE: Roybal Federal Building
255 E. Temple Street/Ctrrm 1568
Los Angeles, CA 90012

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This Stipulation for relief from the automatic stay is entered into by and between Debtor Verity Health System of California, Inc. (“VHS”), Debtor Seton Medical Center (“Seton”) (VHS and Seton shall be referred to collectively as “VHS/Seton”), Seton’s CEO, Mark Fratzke, Seton’s Chief Operating Officer, James Jackson, and Creditor, Mary Meeko (Meeko”), by and through their respective attorneys on behalf of and with the full authority of their respective clients.

BACKGROUND

General Background

1. On August 31, 2018, (“Petition Date”), VHS, and the above-referenced sixteen affiliated debtors (collectively, the “Debtors”), the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases, each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (the “Cases”). By entry of an order, the Cases are currently being jointly administered before the Bankruptcy Court. [Docket No. 17]. Since the commencement of their Cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108.

2. On August 31, 2018, this Court entered an order authorizing the joint administration of the Debtors’ chapter 11 cases (the “Cases”) pursuant to Bankruptcy Rule 1015(b) and LBR 1015-1 and 9013-1(q).

3. Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate member of five Debtor California nonprofit public benefit corporations that operated O’Connor Hospital and Saint Louise Regional Hospital, and currently operates St. Francis Medical Center and Seton Medical Center, including Seton Medical Center Coastside Campus (collectively, the “Hospitals”)—and other facilities in the state of California.

4. At the inception of the Cases, VHS, the Hospitals and their affiliated entities operated 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. *Declaration Of Richard G. Adcock In Support of Emergency First-Day Motions*, at 4, 12 (the “First Day Declaration”) [Docket No. 8]. On the Petition Date, the Debtors had approximately 850 inpatients. *Id.*, at 6, 17. The scope of the services

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1 provided by the Verity Health System is exemplified by the fact that in 2017, the Hospitals provided
2 medical services to over 50,000 inpatients and approximately 480,000 outpatients. *Id.*, at 4, 12.

3 5. A detailed description of the Debtors' businesses, capital structure, and the events
4 leading to the commencement of these Cases is contained in the First Day Declaration.

5 6. On September 17, 2018, the U.S. Trustee appointed a statutory creditors' committee
6 pursuant to § 1102 (the "Committee").

7 7. No trustee or examiner has been appointed in these Cases.

8 8. On December 27, 2018, the Court entered an order [Docket No. 1153] approving
9 Santa Clara County as the purchaser for two of the Debtors' hospitals in Santa Clara County—
10 Saint Louise Medical Center and O'Connor Medical Center—and related assets at a price of
11 approximately \$235 million, with the sale closing on February 28, 2019 (the "Santa Clara Sale").
12 The Court has also approved other sales related to Verity Medical Foundation. [Docket Nos.
13 1622; 1915; 1919].

14 9. On February 19, 2019, the Court entered an Order approving bidding procedures
15 and a stalking horse bidder for the Debtors remaining four hospitals—St. Vincent Medical Center,
16 St. Francis Medical Center, Seton Medical Center and Seton Medical Center Coastsides—and set a
17 sale hearing for April 17, 2019. [Docket Nos. 1279, 1572]. The approved stalking horse asset
18 purchase agreement entered into between certain Debtors (VHS, Verity Holdings LLC,
19 St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center and Seton)
20 and Strategic Global Management, Inc. (the "APA") [Docket No. 1279, Exhibit 1] has an outside
21 closing date of December 31, 2019. APA § 9.1.

22 10. On January 3, 2019, Meeko filed litigation entitled *Mary Meeko v. Mark Fratzke,*
23 *James Jackson, et al.*, in the United States District Court of the Northern District of California,
24 Case No. 3:18-cv-07808-SK.

25 11. The parties stipulate that Meeko may proceed under applicable nonbankruptcy law
26 to enforce her remedies to proceed to judgment in a nonbankruptcy forum against VHS/Seton,
27 and to enforce the judgment against the VHS/Seton's insurers, provided that the stay remains in
28

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effect with respect to enforcement of any judgment against the VHS/Seton or property of the VHS/Seton's bankruptcy estates, other than the VHS/Seton's insurance policies.

12. The parties stipulate that Meeko may also file administrative claims with the U.S. Equal Employment Opportunity Commission and the California Department of Fair Employment and Housing against VHS/Seton and obtain right to sue letters thereon which is prerequisite to her suing VHS/Seton in United States District Court on her claims under the Americans with Disabilities Act and the California Fair Employment and Housing Act.

13. Meeko will not seek punitive damages.

14. Meeko shall not have relief from stay as to her claim for Personal Time Off (PTO) pay, on which she has filed a Proof Of Claim.

WHEREFORE, VHS, Seton, Fratzke, Jackson and Meeko agree as follows:

(a) Meeko shall have relief from the automatic stay in accordance with this Stipulation.;

(b) In *Meeko v. Fratzke, et al.*, U.S. District Court for the Northern District of California No. 3:18-cv-07808-SK, Meeko, VHS/Seton, Fratzke and Jackson will enter into a stipulation: (i) giving Meeko leave to file an amended complaint adding claims against VHS/Seton, including the claims alleged in the Proofs Of Claim that Meeko has submitted in this bankruptcy (other than the PTO Claim); (ii) dismissing Fratzke and Jackson as defendants; and (iii) providing that Meeko, and Fratzke and Jackson, will not seek an award of attorneys' fees or costs against each other.

Dated: April 17, 2019

HIGHMAN & HIGHMAN,
A PROFESSIONAL LAW ASSOCIATION

By: Bruce J. Highman
BRUCE J. HIGHMAN,
Attorneys for Mary Meeko

Dated: April __, 2019

JEFFER MANGELS BUTLER & MITCHELL LLP
AN NGUYEN RUDA

By: _____
AN NGUYEN RUDA
Attorneys for Debtors Verity Health System of California, Inc, Seton Medical Center; and, for Mark Fratzke and James Jackson

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A PROFESSIONAL LAW ASSOCIATION

By: _____

BRUCE J. HIGHMAN,
Attorneys for Mary Meeko

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Attorneys for Debtors Verity Health System of California, Inc, Seton Medical Center; and, for Mark Fratzke and James Jackson

1 Dated: April 17, 2019

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4 By: 

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